Only Publication Devoted Exclusively To Retail Credit

The CREDIT WORLD

AUGUST, 1947

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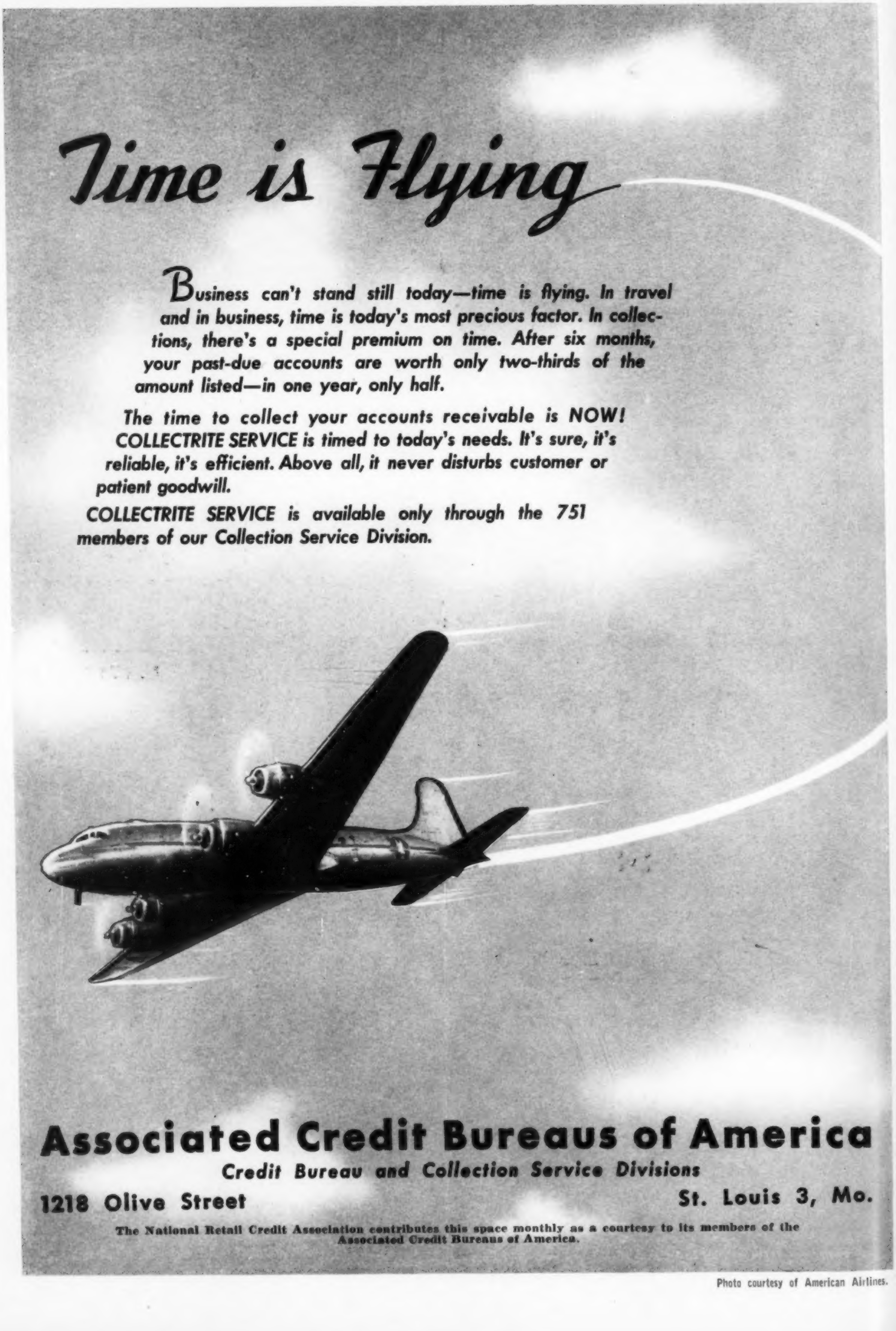

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The

CREDIT WORLD

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INSTALLMENT CREDIT

and Its Effect on Our Economy

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Vice President and Cashier

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(An address before the 33rd Annual Business Conference, N.R.C.A., St. Louis, Mo., June 16-19, 1947.)

THE CONSUMER installment credit field is divided into two parts: The first covers debt arising from retail installment sales of merchandise, and the second covers installment loan credits advanced to consumers by lending agencies. Installment sales credits arise from the transactions of five types of retailers, which, in the order of their importance in the field, are: Automobile dealers, retail department stores and mail order houses, furniture stores, household appliance stores and jewelry stores.

Installment sales of automobiles accounted for one billion, 942 million dollars or approximately 52 per cent of total retail installment outstandings at December 31, 1941, when installment sales credits stood at an all-time peak. Since few automobile dealers were in a position to carry their own paper, about three-fifths of their outstandings were held by sales finance companies, one-fifth by commercial banks and the balance by automobile dealers and other agencies. During 1941, outstandings arising from automobile sales increased steadily, reflecting the sharp rise in the manufacture of passenger cars and trucks, the second largest production in the history of the automobile industry. This record production and sale of automobiles was a natural result of improved business conditions, coupled with consumer anticipation of a sharp cut in production of the 1942 car, as well as of other restrictive measures.

Among other types of retailers, outstandings arising from installment sales of retail department stores and mail order houses were 750 million dollars. Furniture stores held outstandings of 619 million dollars, while household appliance stores and jewelry stores held outstandings of 313 million dollars and 120 million dollars, respectively.

The combined outstandings of installment sales credits at the close of 1941 amounted to three billion, 744 million dollars, approximately 10 per cent greater than the previous all-time peak at the end of 1940 and approximately 60 per cent above the low reached at December 31, 1938, following the sharp decline in installment sales in 1938, which, significantly, occurred principally in automobile sales. In the last quarter of 1937, as you recall, we experienced a considerable recession in general business resulting in high unemployment, which carried through 1938.

At the close of 1938, outstandings in automobile credits amounted to 970 million dollars, representing a decline from the close of 1937 of approximately 414 million dollars. During the same period, sales credits other than automobile credits declined only 25 million dollars, or from one billion, 368 million dollars at the close of 1937 to one billion, 343 million dollars at the close of 1938. Delving still further into the record of installment sales credits, we find that in the period from the close of 1929 to the close of 1941 the low in automobile sales credits occurred at the end of 1932 when outstandings amounted to only 322 million dollars.

As previously related, the outstandings of the various types of installment sales credits under review reflected an all-time high at the end of 1941, with automobile credits showing an increase over the low of 1932 of better than 503 per cent. Installment sales credits other than for automobiles hit an all-time low, during the period under discussion, when outstandings at the close of 1933 amounted to 663 million dollars. Significantly, these outstandings were more than double the automobile sales credits at the low point in 1932, compared with a normal ratio of approximately an even split between automobile sales outstandings and other sales installment credits.

Outstandings in Installment Sales

In comparing the peak outstandings in installment sales credits other than for automobiles with the low point in 1933, we find that the outstandings at the close of 1941 increased 172 per cent over the balances at the end of 1933. The four divisions of this branch of the installment sales field show the following increases:

Retail Department Stores and Mail Order Houses	247 per cent
Furniture Stores	107 per cent
Household Appliance Stores	163 per cent
Jewelry Stores	314 per cent

The comparative figures I have reviewed show rather wide fluctuations in automobile sales outstandings, while other installment sales credits are reasonably well stabilized during different phases of business cycles. It is apparent that the consumer who purchases household and other goods of use and necessity on the installment plan during periods of prosperity continues to do so even during periods of relatively high unemployment. The lower unit cost of these goods is an important factor in these sales. The purchaser unquestionably commits his future earnings for goods with a lower unit cost with a greater feeling of security than he does for a product with a higher unit price, such as an automobile. The relative stability of installment sales credits other than for auto-

mobiles seems to me to preclude the necessity of adjusting the terms of these sales to meet the different phases of our business cycles.

Today, factory production in many lines is the highest in peacetime history, while supply is still short of demand in many items, principally in the larger of the durable goods field. Some consumers are backing away from goods as they are now priced. This combination of a rising tide of production and greater price resistance should not, however, act as a signal to retailers to relax their terms in anticipation of a gradual swing from a seller's to a buyer's market. I firmly believe the present terms granted the consumer might well be maintained for the period immediately ahead and certainly should not be extended beyond terms granted the consumer in 1941.

Installment loan credits, the other division of the consumer installment credit field, arise from the operations of the following lending agencies, named in the order of the value of their outstandings as of December 31, 1941: Commercial banks, personal finance and industrial loan companies, FHA Title I, State and Federal chartered credit unions, industrial banks and miscellaneous lenders. This group of lenders at the close of 1941 showed total outstanding loan balances of two billion, 180 million dollars, an increase of 536 million dollars compared with outstandings at December 31, 1939. Of this increase, 261 million dollars or nearly 50 per cent was reflected in outstandings of the commercial banks.

In the periods from 1934 through 1937 and from 1939 to the close of 1941, installment loan credits expanded rapidly, the greatest increase occurring in commercial bank outstandings. They increased more than 150 per cent from the beginning of 1939 to the close of 1941, while credit union outstandings and FHA Title I loans nearly doubled in the same period. It might be interesting to know that on December 31, 1928, commercial banks held installment loan balances of approximately 20 million dollars; at the end of 1930, these had increased to 45 million dollars, and from that point balances declined each year to 29 million dollars at the close of 1933.

Increase in Balances

After recovering from the low of the intervening years, balances increased to 88 million dollars in 1935 and stood at 784 million dollars at the close of 1941, or slightly under 36 per cent of total outstandings, compared with only 5 per cent of outstandings at the beginning of 1929. This sizable expansion by commercial banks in the installment loan field was a natural result of easy money conditions since 1935 and the pressure for profitable outlets for their funds. The commercial bank expansion was not as great in the installment sales field, partly because of a reluctance on the part of banks to extend floor-plan and capital loans to distributors and dealers. It appears unlikely that the same rate of bank expansion will occur in the installment loan field in the period immediately ahead because of the increasing demand by industry for commercial bank funds.

The combined outstandings of installment loan and installment sales credits on December 31, 1941, an all-time peak, were five billion, 924 million dollars. Total consumer credit outstandings, including one billion, 601 million dollars of single payment loans, one billion, 764 million dollars in charge accounts, and 610 million dollars of service credits, amounted to nine billion, 899 million dollars, representing a rise in consumer debt of nearly 30 per cent over the previous peak at December 31, 1929. We have already heard estimates of a rise in total consumer debt to 15 or 20 billion dollars. These estimates seem rather high and it is difficult to forecast the trend of consumer debt in the period immediately ahead, but from current figures it appears reasonable to expect a substantial increase in outstandings, probably exceeding the peak in 1941, because of the large backlog of demand for goods and services not available during the war.

Increasing Installment Debt

During the period of increasing installment debt from the close of 1934 to the time we entered the war, considerable attention had been directed to reports that installment debt was assuming alarming proportions. Statements were made, which seemed exaggerated, as to the unfavorable effects of installment selling upon the economy of the country. There are still those who object to the principle of installment selling, holding that if a consumer is in a position to pay for the merchandise after he has bought it, he should be quite as capable of saving the funds before making the purchase. In actual practice, this contention is fallacious.

There are two types of individuals who buy on the deferred payment plan—those who do not possess the cash to pay in full, and those who have the funds but know they lack the ability to exercise sufficient self-denial to reaccumulate the cash. This does not mean that these individuals are essentially poor credit risks or that installment selling is, therefore, inherently undesirable. In some cases, perhaps, time payment buyers, as well as those who buy for cash, spend a portion of their income for articles of no lasting benefit, for pleasure, or for services which may add little to the nation's welfare.

There are, of course, cases where the purchaser so over-buys that he keeps himself impoverished, but the conclusion that such cases are frequent is disproved by the fact that more than 90 per cent of installment sales are paid in accordance with the contract. In almost every case, the time payment purchaser acquires an article of use, and even of necessity, that he may not otherwise have possessed; and where the extension of credit achieves such a worthy objective, installment selling is a force for economic good.

Installment selling has been one of the greatest influences in raising and maintaining the standard of living in this country. Since 50 to 60 per cent of automobile sales, the largest unit in the installment sales field, are normally made by some means of installment financing, the automobile industry hardly could have attained its present position if cars were available only for cash. Likewise, many allied industries never would have become so important, for a greatly reduced number of cars in operation would have meant a much smaller consumption of their goods. This applies not only to other divisions of the hard goods lines but to many of the soft goods lines as well.

It will be recalled that during the depression of 1919 and 1920 the companies handling installment sales credits made a most gratifying showing, and the banks that held their paper found it to be among the most liquid in their

portfolios. Prior to the depression which began in 1929, and again during 1937 when a period of expanded volume was accompanied by a sharp increase in substandard terms granted the consumer, many persons expressed a deep concern about retail installment credits. They predicted that widespread bankruptcy of consumer credit agencies would occur in the event of a sharp decline in consumer income. But when this decline of consumer income took place in 1930 and 1931, and again in 1938, it was found that consumers maintained a surprisingly good repayment record, and the companies holding consumer debts were by no means in the forefront of the area of financial distress.

We again hear criticisms of the mounting volume of consumer debt, particularly of installment loan credits. A little over a year ago, credit controls under Regulation W were relaxed, as you know, to the extent that the repayment time on loans not for the purchase of durable goods was extended from 12 to 18 months. It has been said that this change may have been one of the significant factors in the substantial increase in loan outstandings. Then, again, it is said that certain statistics of consumer credit indicate the continuance of a consumer buying spree.

There is a substantial accumulated demand for consumer goods and most likely sizable purchases have been made, particularly of the smaller durable goods that have not been available since 1942 but which are now being produced in reasonably large quantities. These smaller durable goods, however, never created any substantial dollar volume of consumer credit, so we must look elsewhere for an explanation of the continuing sizable increase of consumer loans. The answer is probably found in the increase in the cost of living and in the fact that the liquid assets of persons earning up to $3,000, the group most dependent upon consumer credit, on an average amount to relatively little per family.

The United States Bureau of Labor Statistics shows some interesting percentage figures of what has happened to the cost of living. Using the 1935 to 1939 period as the base or 100 per cent, it will be found that the total cost of living has increased from 100.8 per cent in January, 1941—the month of the "Little Steel" formula—to 156.3 per cent in March, 1947. Food costs alone increased from 97.6 per cent in January, 1941, to 143 per cent in May, 1943—the "Hold the Line" date—and subsequently to 189.5 per cent in March, 1947. During the same period clothing costs increased from 101.2 per cent to 184.3 per cent, while house furnishings and miscellaneous items increased from 100.2 per cent to 182.3 per cent and 101.8 per cent to 138.2 per cent, respectively. Rent is the only item of living costs that was stabilized; the increase in this item was only 5 per cent during the same period.

Studies of Liquid Savings

Authoritative studies of liquid savings indicate that some 30 per cent of the country's families have no savings at all, while 20 per cent hold 76.5 per cent of the total liquid savings. Holdings of the remaining 50 per cent range from $50 to $1,500. Other studies show that nearly 50 per cent of the families in this country have annual incomes under $2,000 and about 70 per cent of the families get along on under $3,000 a year. These masses of employed consumers in the low income brackets are serviced by installment loan and installment sales credits, and the advances made fill an important function in making credit available to those who could not otherwise enjoy such facilities. The rise in the price of consumer goods and the cost of living has been such that many families have been obliged to depend more heavily than heretofore on consumer credit. These conditions impose a considerable hardship on this large group of persons whose buying power exists mainly through credit based on current earnings.

The basic principles of installment financing have remained unchanged from its inception. Installment sales and loan credits are in small amounts, payable in monthly installments, and, except in small local operations, furnish good geographical and occupational diversification. The resources of companies engaged principally in installment credit operations rarely reflect less than 90 per cent in current assets and most companies, in case of necessity, could liquidate their payables as they mature. It is these fundamentals that permitted the remarkable development of this sizable and profitable industry, which has contributed so much to the economic stability of our country.

For a number of years, The First National Bank of Chicago has maintained statistics and compiled ratios obtained from the audit reports and supplemental information furnished us in questionnaires by a number of our installment sales finance company accounts. It might be interesting to review a few of these ratios relating to earnings. As of December 31, 1935, these companies reflected an average net profit to average net worth of 16.25 per cent. This was gradually reduced as a result

of lower rates to the consumer and higher taxes, so that at December 31, 1941, the average net profit declined to 11.03 per cent and at December 31, 1942, stood at 8.46 per cent.

During this period, the net profit to retail paper purchased was reduced from 2.95 per cent on December 31, 1935, to 1.96 per cent on December 31, 1941, and the net profit to total purchases was reduced from 1.70 per cent to 1.11 per cent in the same period. The high points in the per cent of net profit to total purchases occurred on December 31, 1938, when the net profit was 1.95 per cent, and on December 31, 1942, when it was 1.85 per cent. Both of these latter ratios, however, were higher because of the absorption of deferred income accumulated on the high volume of the preceding years and taken into income during the low volume periods of 1938 and 1942. These figures of the sales finance field and comparable figures of the loan field indicate both divisions are a volume business.

The financing of installment sales and credits is also a high cost operation. Finance companies generally, as a result of experience, are quite conscious of their cost of operation, and other credit agencies newer in the field should have an accurate analysis of such costs as acquisition, collection and interest on the money employed. A major expense in the conduct of any consumer credit operation is the cost of acquisition. Advertising and promotion are necessary, and experienced personnel is costly. The credits made represent a large cross section of any community and not merely the higher type of risk. This requires proper servicing with intelligent, persistent collection effort, which adds materially to the cost of operation. While losses have been negligible during the period of our rising economy, substantial losses may be experienced during periods of unemployment and a declining economy, which means that adequate reserves must be set aside out of income. Charges to the consumer, therefore, must provide for cost of operation, adequate reserves and a reasonable profit.

There appears to be a growing recognition by some agencies new to the consumer credit field that the finance business is a high cost business and that satisfactory profits come largely as a result of sizable volume. However, there have been reports recently of extremely low rates quoted on both installment sales and installment loan credits, which give cause for considerable concern. By any sound measuring stick, the charges reported are not sufficient to cover costs of operation, reserves and a reasonable margin of profit. These extremely low rates are apparently the result of a belief that reduced rates acquire business.

Developing Installment Credit Business

The experienced finance operator does not subscribe to this theory, for he is aware that the rate, so long as it is reasonable, has never been a primary consideration. It is intelligent and understanding service in handling the mine-run paper of the consumer and the willingness to service the distributor and dealer in their financial requirements that will develop installment credit business. There is a great hazard in attempting to acquire volume through reduced rates. The finance industry has always been highly competitive and the threat of greater competition in the period ahead may result in such a scramble for paper that rates may well be broken below their present level, the lowest point in the history of the industry. This certainly will be true unless the industry employs self-restraint and adheres to sound credit practices and policies. Obviously, excessively low rates may not permit the development and maintenance of adequate reserves which are so necessary in any soundly-managed installment finance operation.

Rates charged the consumer are obviously tied in with the general money market so the course of bank interest rates in the future should be of particular importance to consumer credit agencies. It would, of course, be hazardous to attempt to make any prediction beyond a relatively short period. When we try to take a longer range look at interest rates, we are getting into hazy atmosphere. We know too little even now about the kind of post-war world we shall live in, nor is the pattern of our own economic doctrines clearly outlined.

Low Interest Rates Before the War

Low interest rates prevailed in this country for some years before we entered the war. They developed under peace conditions and not as a war finance policy. For years political disturbances and the threat of war in Europe had been driving gold into this country in large amounts, and the movement was aided by the price which we were willing to pay for the metal. The result was the creation of large amounts of excess reserves in our banking system. The excess reserves led banks to invest large amounts in securities and to compete for available loans, thereby forcing interest rates lower and lower. Excessively low rates have created some injustices as well as adverse social and economic effects. We recognize that the large public debt creates an unprecedented condition that will have a very important influence on our monetary policy. There are indications that the Treasury intends to maintain, for the immediate future, the present pattern of interest rates. There is perhaps little question as to the ability of the Treasury and the Federal Reserve System to engage in activities which would tend to maintain present rate patterns.

There has been considerable discussion recently as to the possibility of a rise in interest rates on short term government securities. As you undoubtedly know, the Treasury has been engaged in a program of debt retirement out of surplus cash and the withdrawal of war loan deposits from the banks. This program is nearing completion and there are some who believe that upon completion, the rate on ninety-day bills may rise to three-quarters of one per cent and the rate on one-year certificates to one per cent or better. These rates heretofore have been held at three-eighths per cent and seven-eighths per cent, respectively. On the other hand, there are many bankers who feel a rise in rates is unlikely as such a step might create other problems for the Treasury.

There has been a slight rise in certain interest rates as a result of the debt reduction program of the Treasury. This program resulted in bankers' disposing of three-eighths per cent bills and seven-eighths per cent certificates of indebtedness in order to meet the calls made on their war loan deposits. As the seven-eighths per cent certificates were disposed of by the banks, the low rates hereto-

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"Installment Credit"

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fore quoted on bank acceptances, commercial paper and brokers' loans against government securities were no longer attractive to the banks. This resulted in a rather general increase in rates to one and one-quarter per cent and one and one-half per cent on these types of loans. Those credit agencies which sold some of their notes on the open market are already aware of this change, and those banks which heretofore quoted one per cent and one and one-quarter per cent on direct loans to prime names already have taken steps to increase these rates. The rise in rates to which I have referred should not be construed as a forerunner of a general upward trend in short term rates, but rather as a natural result of the limited debt reduction program of the Treasury.

Influences Toward Higher Rates

There already are strong influences toward higher rates which will be found in the demands of American industry for both fixed and working capital financing. There is cumulative evidence of a growing demand for working capital funds which the commercial banks in their normal functions will supply. Since capital markets have not been so receptive to new financing in recent months, a portion of fixed capital needs are being met by short term commercial bank borrowings, to be refunded later through capital financing. These demands on commercial bank funds have created considerable pressure on present low rates, already evidenced in higher rates on long term loans, bonds and some short term credits, and may result in an earlier general increase in short term commercial bank rates than we can now foresee. It is most likely that the effect of supplying these working capital demands will cause the banks to examine balances maintained by borrowing accounts more closely and probably will result in more exacting balance requirements in order to help meet the increased demand for funds. A further effect of this condition, coupled with the large government bond portfolios of the banks, may be to lessen materially the strain of bank competition in the consumer credit field.

Conclusions

In conclusion, may I summarize by stating that consumer installment credit is one of the significant credit techniques that has been created in our economy of private enterprise and individual initiative. It was brought into being and fostered because it satisfied a fundamental need in our society, for it gave the privilege of credit to a large segment of our people, who heretofore were denied this benefit. Consumer installment credit has contributed immeasurably to the productive development of this nation and to the standard of living of the people. The records over the years indicate that this credit has been wisely administered, and this is a tribute to you who have devoted your careers to the industry. *So long as consumer installment credit continues to be extended in accordance with sound principles and practices, it will continue to contribute to the economic well-being of the nation.* ★★★

The Outlook for 1947-1948

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Baltimore, Md.

(An address before the 33rd Annual Business Conference, N.R.C.A., St. Louis, Mo., June 16-19, 1947.)

THE FUTURE is something that is taxing the judgment of all of us. It is difficult to convert into anything resembling a prediction all the forces that will shape the economy of the future, for though we may recognize these forces in their broader form, it is impossible to give to each its proper weight. In addition, the future may be as much political as it is economic. Economic laws are being influenced by political considerations.

Nevertheless, as businessmen, we must look ahead and try to plan constructively, because the future is being purchased by the present. All values in business are anticipations of the future. Therefore, it is dangerous to live too much in the past and present.

In viewing the outlook for the future, it seems logical to divide it into two parts—the immediate outlook and the outlook beyond the immediate. The immediate outlook has its darker shades, reflected there by adjustments that must still come, in an economy distorted by temporary war and primary post-war conditions. Beyond the immediate, the outlook is bright with possibilities, but with important qualifications.

Consider the reasons for believing this. To say that adjustments must come is, to an extent, historical, rather than a prediction. In important ways, industry by industry and commodity by commodity, adjustments are taking place every day as freely-moving market prices rearrange values of things in line with what people can and will pay. Luxury lines, for example, like jewelry and furs, took quite a correction on the downward price side some time ago, and, currently, textiles are in the middle of a declining price movement that has caused considerable lag in production. In New York recently retailers cut tire prices $4 to $6 to unload heavy stocks.

Other Adjustments Going On

You will think of a dozen other adjustments that are going on. Retailers, more than other groups, are familiar with what is happening price-wise and their inventories and outstanding orders are being adjusted accordingly. But the point is that more adjustments are to come, and that some of them may have painful repercussions in those areas of business where supply-demand relationships have been thrown seriously out of balance.

The popular idea that the price of things is determined by the so-called "law of supply and demand" is only partially true. It is like saying a man's business success is due to "industry and thrift." It is less true today than ever before because natural economic laws are being so circumvented by political considerations. However, supply and demand is the price-making principle in our economy, and is the first consideration when price movements are discussed.

Generally speaking, on the basis of the supply-demand principle, we can look for further price adjustments in the immediate future on the downward side.

Our Capacity to Produce

Our capacity to produce, both in technical skill and in size, was increased enormously by the demands of war. Since the war ended, a further expansion has taken place in important areas to meet the demands of the primary postwar bulge. There is available an ample supply of war-trained personnel to operate these expanded facilities. An abundance of capital, an important agency of production, is left over from war. Billions of new money that came into existence to buy war products continues in peace as capital, though it may not work with its usual force because prospects for gain are not commensurate with risk. And, on the supply side, there is being added to domestic production, some of which is already reaching flood-stage, an increasing amount of imported goods, pulled to this country by high prices in terms of dollars the world wants.

On the demand side, the capacity to buy is not keeping in proper balance with increasing supplies—the professional economist calls it "equilibrium."

Dollar signs are confusing our thinking about balanced supply and demand. High wages not compensated for by higher production, inefficiency in production and in distribution, lost time from strikes, slow-downs, absenteeism, all of which become price; taxes of all kinds, all of which become price; social reforms that cost money, all of which must ultimately lodge in price—all this has carried prices of goods produced by some groups beyond the power of other groups to buy, beyond the will to buy of still other groups.

How deplorable it is that we are overlooking, and in some high places, the elementary economic fact that money is not wealth. We made the same mistake at the end of World War I, when money became the dominant value, Americans lost belief in anything else, and we got into serious trouble. We are repeating the same mistake after World War II. Gilded economic phrases about "backlog of savings" and "increased national income" mean less than some think in terms of goods and services that can be bought. The buying power of savings will help some, but the power to consume in

the future will be the power to produce, for men can be paid only out of what men themselves produce and the payment for the exchange is always made with a two-dimension dollar that measures alike what we sell and what we buy.

As a background for predictions on the immediate outlook, we have said that, generally, the existing supply-demand situation points to further price declines. However, as an over-all movement, this appears to be some time away. For the immediate outlook, it seems certain that price adjustments will be very mixed, some down, some up, some delayed.

A Free Working Economy

Such a prediction, obviously, is conditioned upon a free working economy; fundamental economic adjustments are being upset by subsidies and guarantees on particular commodities. The influence of our foreign policy on prices will be considerable, as assistance abroad running into billions clearly will be inflationary. We are not sending dollars abroad; we are sending goods and in amounts which lessen domestic supply greatly. We have just been told by Washington that "rudimentary rehabilitation needs" for foreign assistance can be met only by expenditures running to 5 or 6 billion dollars a year for "another three or four years." But such general observations do not help much.

Conditioned upon fundamental economic adjustments, if we keep in mind the supply-demand principle as a starting point and remember that forces which cause prices to go down are actually the same forces that cause prices to go up (merely working in reverse order to correct excesses one way or the other) we can guess better what will happen in particular price movements. Along this line of reasoning, we can look for severe price breaks in those commodities where prices have moved up highest from pre-war levels; some prices, for example, are up 200 per cent and more, while others, such as gasoline, are near pre-war levels. It is unlikely, then, that the price of gasoline will go down. Indeed, under pressure of higher costs and taxes, it may conceivably have to go up, like the price of lamp bulbs. G. E. lamp bulbs had to be increased 5 to 6 per cent June 1 because, as the company explains, material and labor costs had gone up so far it could no longer absorb the 5 per cent federal excise tax on lamps. Other price adjustments will be delayed, naturally, where commodities are still in short supply; as an example, the deficiency in the nation's stock of automobiles is many months away from being eliminated, even when demand is measured at pre-war levels.

When the history of post-World War II is written, we shall very likely read that the whole economy moved back in an adjustment process to relationships existing before the war—relationships in terms of the number and quantity of things owned, used and enjoyed by a certain number of people in certain income groups. This is reasonable, as those prewar relationships were developed over a long period of time in a normally functioning economy.

Clearly, there will be a few exceptions to this—new products, new and changed desires. And the relationships after adjustments will have to be measured for some time, no doubt, at higher dollar values, because enormous losses of war that were paid for with new money will be distributed and absorbed to some extent in a higher general price level.

Still discussing the immediate outlook, prices are the center-weight of the whole economy and what happens to prices is, in the main, what happens to business conditions. As prices move down through industry after industry, under pressure of increasing supply and a relatively lower demand, in the white glare of intense competition, few businesses in the industries affected will be able to maintain profits at present levels. Weak financial conditions in particular companies will be made apparent; the financially weak, the inefficient, the marginal business will fail. Production and distribution will go down, operations will have to be tightened, and there will be fewer jobs.

The question naturally occurring at this point is, "Will this process spread far enough and fast enough to cause a major business recession?"

There is no accurate answer to this, but the chances appear good that, unlike the sorrows in Shakespeare's "Hamlet," the adjustments ahead will come as single spies and not too much in battalions. These mixed and gradual adjustments should cushion the economy against dislocations of a large recession force. But maybe not. . . .

We have been looking to the automobile and building industries (the "bell-cows" of economic progress or depression) to provide a counter force against a dangerous aggregate of post-war adjustments. However, effective demand in both these industries is being lessened by controls and high prices, and it is effective demand that is needed to make an industry go 'round. The problem is not one of production.

Effective demand in the automobile industry already has been narrowed by high prices to a size much smaller than pre-war dimensions. Effective demand is being narrowed further by an awkward control of installment sales credit under Regulation W. For example, a four-door Plymouth sedan in 1940 could be bought for $292.00 down and 18 monthly payments of $31.91. Today, the same Plymouth requires $453.00 down and 15 monthly payments of $60.40. These payments of $60.40 a month require an income of $362.40 a month unless more than 20 per cent of income is spent buying automobiles.

When the small cash market is saturated, when the automobile industry gets down to the mass market of car buyers in the lower income groups that support it, with prices at anywhere near the present levels, Regulation W will need important modifications.

Effective Demand in Building Industry

Effective demand in the building industry is being lessened and destroyed by high prices. There are no credit troubles here. In fact, subsidies and credits loose beyond all reason are contributing to existing troubles by pushing prices up. And the trouble is price. Veterans making $50 a week, no matter how much they are aided with credit, find it difficult to pay for houses built by $125 a week labor. Besides, a prudent veteran is not attracted by a $10,000 house if he thinks that in a year or two his 25-year mortgage will be more than the house will be worth then.

Now, no one objects to the $125 a week for labor if it is earned in values produced; we are discussing effective demand and not wages. If houses cannot be

built at prices most people can pay, they will not be built for long, and the men who build them will gradually give up in unemployment what has been gained in money wages. Under such conditions, the building industry could become part of a major depression, instead of a cushion against one.

Thus we view the immediate outlook. To sum up, adjustments which must come will be severe, in some areas; in other areas, there will be no adjustments; others will move up; and in still others, adjustments will be delayed. This mixture should be a cushion against any recession of serious proportions, provided effective demand is not lessened too much in major industries (automobile and building) by controls and high prices.

After adjustments have come in all lines of business and prices of everything people buy and sell have settled down to a balanced basis that will enable a normal exchange of goods and services to take place, business will have a foundation on which to build prosperity.

Moreover, the adjustment process will have been a weeding and cleansing period; a lot of diligent loafing will have been eliminated and efficiency will be greater. Competition, the fight for actual survival by some, will bring our whole business economy back nearer to the pattern of American wealth, which produces more goods in less time, to sell for less money. Real wages will go up, even if, here and there in the adjusting process, money wages may have to come down. It is in getting prices down rather than in getting money wages up that the greatest increases in standards of living for the American worker have come—reducing the prices of automobiles from luxury limits of $3,000 and above to "$590 F.O.B. Detroit" did more to increase American living standards than all the money-wage increases of all time.

Some Business Philosophy

Here is some business philosophy, as we think of adjustments ahead. Business reversals are not an unmixed calamity. Economic history has been one of prosperity and depression, and such alternations will come in the future, very likely regardless of any artificial means we use to try to stop them. But from past depressions business has always learned lessons. It has gained strength from problems overcome.

As Emerson reminds us, "The changes that break up a short interval of prosperity of men are advertisements of a nature whose law is growth."

The experienced business with a reasonable reserve of capital and credit resources should feel no hesitancy about going ahead, though reversals do come. It is a time for critical study of old markets and new sales opportunities, and new and better ways to reach them. It is a time to eliminate waste, a time for new energies in the direction of high efficiency all the way around.

After adjustments, then a bright future, but we said in the beginning that our prediction of a bright future needs important qualifications. The first is sound credit, because the future of credit is the future of business, a future of sound private credit and of sound government credit.

Private credit must be kept sound by intelligent credit executives and bankers of this country, working together to make private credit perform efficiently, and in full force, its legitimate function of moving goods and services in the natural course of trade. If this is done, we can forget all the empty talk about "inflation of credit." For there is no evidence anywhere that a legitimate expansion of private credit for commercial use ever caused inflation. This naturally excludes commercial and bank credit for out-and-out speculation.

Government Credit Must Be Sound

Government credit must be kept sound by keeping federal expenditures in our peacetime economy at limits of what can be collected annually by a sensible tax program. For, no matter how worthy the expenditure may be, new money arbitrarily issued to finance government deficits is inflationary. A wholly different motive from the necessities of trade governs its creation and there is no relationship between the needs of trade and the new money issued. And, unlike an expansion of private credit which completes an exchange of value and is retired, new government credit-dollars created by deficit financing remain in the money stream to disturb prices and, through them, other relationships in the business world.

As long as confidence in money exists, the exact influence on prices of any given quantity of it in circulation remains largely guesswork. But we do know that in some yet-unmeasured amount it is a force of tremendous proportions in the quantities issued in recent years and in the quantities that may have to be issued again if expenditures now being contemplated in Washington are approved. No sensible tax take could support them in a self-sustaining peacetime economy. If we keep printing new money in the more dignified form of government bonds to cover deficits, there can be no sound business basis for going ahead, and dollar values can never be stabilized for business adjustments.

Without dollar stability, there can be no stability anywhere. *Izvestia,* the Russian official newspaper, uttered an unintentional truth when it said in derision a few days ago, "The same old American dollar is the reason for everything." So our first qualification is credit.

The Pattern of American Wealth

The second, and last, qualification is that if the future of bright possibilities is to be reached, we must go forward in the pattern of American wealth we discussed. This is a pattern in which the individual is the center of initiative and enterprise, a pattern of free men and women working for high individual achievement, creating, dreaming dreams and making those dreams come true, forever dissatisfied with "good enough."

The outlook? Adjustments will come, intervals of prosperity will be broken up, but if management, labor and government will work together intelligently in the traditional pattern of American wealth, and keep it free from further alterations, the future of our land is alive, growing and green. *If we cover it more and more with trashy ideologies of foreign lands and alien minds, the kind of America you and I grew up in will die.* ★★★

"Charge It, Please!"

Arthur F. Henning
Secretary-Manager, Retailers Credit Association, Sacramento, Calif.
President, Associated Credit Bureaus of America

(An address before the 33rd Annual Business Conference, N.R.C.A., St. Louis, Mo., June 16-19, 1947.)

CHARGE IT, PLEASE! Do not underestimate the power of these three short words and the significant part they play in the system of retail credit sales. Were the customs of the American people to change overnight and these three words be dropped from their vocabulary, many of us would be prospective timber on the unemployment market.

Thousands upon thousands of our citizens enter stores and shops of all types and descriptions—banks, lending organizations, hospitals and doctors' offices—make their selections, or obtain desired service, and, in the good old American fashion, say *"Charge it, please."* To those granting credit, it becomes not only a pleasure to accommodate, but also a service feature highly valued by all who have a full appreciation of the sales powers that go with the service of credit.

The American Way of Life

Right now, thousands of voices are ringing out in every nook and corner of our country saying *"Charge it, please."* Even more often, we can hear the salesperson advance the question, *"Is this a charge?"* And also the latest one, *"Of course you have an account here?"* So is it not true that this is just another part of the American way of life, just another service feature that is taken for granted now and is *expected* by those deserving it?

"Charge it, please, in order that I may take delivery now, on a promise to pay later." This might be a convenience for some customers, but for the great majority it affords the opportunity of buying today and paying out of future earnings—a perfectly natural practice for good Americans, and one that, no doubt, will survive a long time.

Because of this convenient method of buying and the added feature on the part of business to make sales, we are informed that 1947 totals may swell to near 12 billions, that in another year it may reach 14 to 15 billions, and that by 1950 we might even see a staggering new high mark of around 25 billions. Safe? Certainly, just so long as *all granters of credit* keep their feet on the ground, remain aloof to unethical credit practices, stay away from unsound competitive credit terms, insist upon payments when due, and, in general, apply good common business sense.

The systems employed in operating credit sales in any American city are no longer a mystery. The requirements are well known, such as the need for a proper interview, the filling out of a credit application, the need for a good reputation, and a good credit report rendered by the Credit Bureau. Most persons now believe in keeping promises and paying accounts when due.

All this, therefore, has tended to bring great improvement in the credit sales program, and credit granting has become more secure because of increased knowledge on the part of the general public. Credit selling is just about as safe today as business would care to have it. The power of control rests with credit granters. They, themselves, dictate how little or how large any ultimate charge-offs will be.

The buying public is only indirectly interested in our system. However, the mechanics are of major importance to all business, and constant improvement is necessary.

The seller is interested in how he may evaluate new accounts faster, how to make faster decisions as to credit limits, creating as many dollar sales as possible from all charge accounts attracted, maintaining a high ratio of collections to receivables, minimizing past-due accounts, and, last but not least, keeping his profit and loss within proper bounds.

Every item enumerated has been improved upon vastly during these past 25 years. I wonder if we all recognize and appreciate the tremendous progress that has been made. Much credit for all this goes to the retail credit executives of the country, as well as all credit personnel—to associations such as the National Retail Credit Association, and any others who have worked diligently in the general improvement in this field of endeavor.

Better Systems Being Adopted

Better systems are being adopted by business, such as better interviewing, taking more complete applications, better advance arrangement for payments, better control over credit limits, better control over collections, and better cooperation with the Credit Bureau.

A third party has also contributed to progress, and I am going to put in a plug for the Credit Bureau system. It matters little whether you live in a small city of 5,000, or in a large metropolitan center of 500,000 (or even Los Angeles, where they have stopped counting noses). In any case, you will have found a Credit Bureau that has served you, and served you well. Your Bureau, in all probability, has served and expanded its value to the community in proportion to the wishes expressed by the retail business and professional interests of your community. The very existence of your Bureau has been beneficial to you, whether it has been used properly by business or not.

Without question, it has done its share toward improving local credit conditions. It has done something

to impress the citizens of your community to pay accounts more promptly. The public generally knows *why* credit is, *what* it is, that credit records are maintained, that the habits of people are recorded there, and that the privilege of a charge account depends somewhat on the type of information the Credit Bureau is in a position to release about an applicant. The public has a desire to cooperate with the Bureau, to seek its advice, and to lean upon it as a responsible source in case of financial difficulty.

Moral and Financial Support

So, on behalf of The Associated Credit Bureaus of America, to which our nearly 1,400 offices in the United States and Canada belong, I extend to all credit sales executives, businessmen, professional people and others our profound thanks for the splendid moral and financial support that has been given to the Credit Bureau movement, and for the continuous support given in furthering the values of these Bureaus in every city in the nation. The exception of lack of cooperation, if such exists, I would attribute largely, if not altogether, to those selected to manage the affairs of a Credit Bureau.

But let us not presume that everything is near the crest of Utopia. We must not forget that floods of orders are going through Authorization Boards everywhere, and will continue in increasing numbers from month to month. *How well are we really prepared to serve all these valued patrons?* The answer is that we are prepared in a way, *but we are not prepared well enough.*

For this the Credit Bureaus of the country will assume some blame, but not all of it. Conditions that both Credit Bureaus and credit offices found themselves in, following the war, are understandable. Tolerance and understanding were mutual, and we have sympathized with one another. But now the crying-towel days should be over. Two years should have given us ample time and opportunity to make all necessary amends.

However, criticism is still being interchanged, not only locally, but also throughout the country. Credit management has taken the Bureaus to task. A.C.B. of A. has taken its members to task and has enforced rigid rules for checking, etc., to step up slow and inadequate service. Bureau managers, in turn, have retaliated by giving as their excuse, among other things, the inability to obtain fast enough service from their members in such matters as trade clearances, etc.

Efforts Have Brought Results

Yes, the efforts of A.C.B. of A. have brought about results. Our tracing system placed in effect following the Cleveland conference in 1946 has reduced complaints materially. But we continue to be far away from any smooth-running operation.

Business has stepped up its tempo—Bureaus must do likewise. Bureau service must embrace a service that is more *rapid,* a service that is more *complete,* reports that are more *accurate,* reports that are *cleaner in appearance,* and reports that contain *more information.*

This is the gospel being preached by Associated Credit Bureaus of America. It will be preached in the future, until we reach a measure of perfection reasonably in line with what good Credit Bureau service should be.

"Charge it, please" . . . and another lot of charge tickets have been approved! What a golden opportunity for you and for me, greater by far now than at any previous time. Can we meet that challenge and measure up to our responsibilities? Of course we can, and we will!

The Associated Credit Bureaus of America have enjoyed another prosperous year. We have added a sizable new group of members in both our Credit Reporting and Collection Service Divisions. We now boast over 2,000 offices located in all parts of the United States, Canada, the Islands, and other parts of the world. These offices have all been carefully scrutinized as to their ability, their qualifications, and their desire to be of service. If there are any in our family who do not measure up, we would like to know it. A.C.B. of A. is looking for the best in Reporting Agencies, Credit Bureaus and Collection Offices. *Only the best are good enough.*

We are part and parcel of you, if you please. Our interest is primarily in you—to serve you, and to see to it that you are served well. Factbilt Credit Reports and Collectrite Service have been developed for *you.* So we ask that the good work, the splendid support of the past—your moral help in the further development of our services in your respective home towns—be not only continued, but enlarged upon this coming year in order that *together* we shall succeed in building an ever-improved Credit Service. We wish to make it known to the world that Credit Management and Credit Bureaus combined can so operate the Credit System of America that policemen in the form of Regulations on the part of our good Government will never be needed again. ★★★

Meet Your New National Officers

Hugh L. Reagan

Hugh L. Reagan, President, attended Tennessee Polytechnic Institute and studied law at Vanderbilt University. He left college and joined the Cain-Sloan Company of Nashville in July, 1923. In April, 1926, he was promoted to Credit Manager and has held that position continuously since that time. He has served as President of the Nashville Credit Bureau and as a member of the Board since 1926. He has also served as President of the Nashville Retail Credit Association, and as a National Director representing District 4 for two terms, 1941-1946, until his election as Second Vice-President. Mr. Reagan is a member of the McKendree Church and a member of the Board of Stewards. He is also a member of the Civitan Club and Elks Club. Mr. and Mrs. Reagan have one daughter, Jo Ann, a student at Ward Belmont College.

Dean Ashby

Dean Ashby, First Vice-President, has been Credit Sales Manager, J. L. Brandeis & Sons, Omaha, since 1946. For 21 years prior to that he was associated with M. L. Parker Co., Davenport, Iowa, first as accountant, and in 1928 was appointed Credit Manager. He is a pioneer and a leader in sales promotion through charge accounts. In Davenport he was chairman of the Board of Trustees of St. John's Methodist Church and general superintendent of the Sunday School; District Commissioner for Davenport of Buffalo Bill Area of Boy Scouts; member of the Board of Trustees of the Y.W.C.A.; Secretary-Treasurer, Davenport Lions Club; and a Past President of the Lions Club. In 1944 he was elected a National Director representing District 6 and in 1946 a Director at large. Mr. and Mrs. Ashby have a son, Warren, and a daughter, Lauretta.

Richard T. Schatz

Richard T. Schatz, Second Vice-President, is General Credit and Collection Supervisor for the Washington Water Power Co., Spokane, and has been employed by the company since 1921. In 1940 he was President of the Spokane Retail Credit Association and in 1943 was President of District 10, National Retail Credit Association. He served as National Director for this district in 1945-47. He was selected General Chairman for the Spokane Community Chest Campaign last October which raised $347,671 or 110.6 per cent of the quota. He is a member of the Board of Trustees of the Spokane Community Welfare Federation; Spokane Chamber of Commerce; Executive Board of the Boy Scouts; The Early Birds Breakfast Club; Elks Lodge; and Manito Golf and Country Club. Mr. and Mrs. Schatz live in the Cannon Hill District of Spokane.

Clarence E. Wolfinger

Clarence E. Wolfinger, Third Vice-President, is Credit Manager, Lit Brothers, Philadelphia. He started his business career in banking and later became Federal Reserve Examiner with the Federal Reserve Bank of Philadelphia and then manager of the Department of Bank Examination. Came to Lit Brothers in 1933 as Assistant Credit Manager, became Collection Manager and is now Credit Manager. He is President of the Credit Men's Association of Eastern Pennsylvania; Past President of District 12, National Retail Credit Association; Past President of the Philadelphia Retail Credit Managers Association; and a member of the Operating Council of the Philadelphia Credit Bureau. He is a noted author on credit subjects and many of his articles have appeared in The Credit World. Mr. and Mrs. Wolfinger have two sons and two daughters.

Clarence E. Wolfinger — Richard T. Schatz
Dean Ashby — Hugh Reagan — H. L. Bunker, Past President

Report of the President

H. L. Bunker

MAY 31st MARKS the end of our fiscal year. We close this year with a sense of accomplishment. It is true that many goals have not been reached, as problems not anticipated have plagued all credit administrations. Your officers, Board and National offices are pleased to report that:

—the National's finances are in excellent condition with a cash balance, including U. S. Bonds, of $32,380.13 and no indebtedness.

—the membership is at an all-time high of 20,410.

—there is a new spirit permeating the credit-granting fraternity and this spirit promises to carry us on to greater achievements, providing that each of us carries his full share of the total responsibility.

—The CREDIT WORLD is becoming an increasingly important tool in the administration of our offices. The Collection Score Board has been restored; however, more and regular contributions are needed for that important section, "Credit Clinic."

—the National staff has been strengthened by the addition of William H. Butterfield as Educational Director. His "Better Letter Service" is becoming increasingly popular and should be in every credit office.

—two books, "How to Write Better Letters" by Mr. Butterfield and "Important Steps in Retail Credit Operation" by Dr. Clyde Wm. Phelps, and one booklet, "The Good Things of Life—on Credit," have been released. The booklet has great educational value as a part of community credit plans.

—we are particularly pleased that we have been able to launch the study of credit report evaluation and the study for improvement of credit bureau reporting. This is a joint program by the N.R.C.A. and the A.C.B. of A.

—we are keenly disappointed that, due to insufficient response, we have been unable to compile "Credit Department Operating Cost Study." It is hoped that during the ensuing year this vital guide will again be available to you.

—all district conferences were covered by National officers or staff members.

I close my administration with a feeling of deep gratitude to you for the opportunity you gave me to serve as your president. I am grateful to Lindley Crowder for his guiding advice and the splendid cooperation of the entire National office staff.

In the years to come, I hope that through wisdom and cooperation our National organization may become even a greater power in the field of retail credit. ★★★

Report of the General Manager-Treasurer

L. S. Crowder

IT IS MY pleasure to again report to you the progress of our Association, for the fiscal year ended May 31, 1947.

Finances

Cash on hand and in bank May 31, 1947, was $13,-973.13 and United States Bonds $18,407.00, a total of $32,380.13. The balance May 31, 1946, was $27,869-63. There are no current liabilities and the policy of paying all bills the month in which they were incurred has been followed for the past 12 years.

Membership

As of May 31, 1947, our membership was 20,410, a gain of 1,808 for the year.

The Seattle Association, which had a National membership of 186, through the efforts of the President, R. T. Wright, and the Membership Chairman, E. N. Anderson, with the cooperation of the Bureau Manager, E. DeWitt, succeeded in making all members of the Credit Bureau National members. This increased the Seattle membership 345, to a total of 515.

Activity continued good throughout the year; 13 National Units were organized in 8 states and one province of Canada.

Credit Education

Better Letters Service continues to grow in popularity. Members in 112 cities in 34 states, 6 provinces of Canada, Hawaii and Australia are subscribers to the service. Credit schools were revived during the year, with *Retail Credit Fundamentals* and *Streamlined Letters* as textbooks. Last fall we published a book by W. H. Butterfield, *How to Write Good Credit Letters,* and early in 1947 one by Dr. Clyde Wm. Phelps, *Important Steps in Retail Credit Operation.* Both books have been enthusiastically received. It was decided to add Section 2 to *How to Write Good Credit Letters* and this section contains many samples of letters. It gives us a book nearly three times the size of the one originally published and I am sure in its new form it will fill a long-felt need.

The booklet *The Good Things of Life—on Credit* is a part of our national consumer credit publicity campaign and is being used by members throughout the nation and Canada. It is printed in both countries, as a service to our members. It is doing a splendid job of consumer education.

The book by Dr. Phelps, *Retail Credit Management,* has been revised and will be published as soon as conditions justify it. The printing of the book has been delayed, not only because of high prices, but because of the inferior quality of paper and bindings.

Community Credit Policies

As a result of conferences between our Washington Representative, R. P. Shealey, and members of the staff of the Department of Justice, and the opinion of Baker, Botts, Andrews and Walne of Houston, Texas, the National Retail Credit Association has recommended to its entire membership that no effort be made to adopt

community credit policies, inasmuch as they are contrary to the Sherman Anti-Trust Act. A resolution drawn by Mr. Shealey for the Legislative Committee will be introduced at this conference, and it will urge the discontinuance of community credit policies, if any are now in force. It will likewise recommend that members not consider the adoption of such policies in the future.

National Legislation

The report of our Washington Representative, R. P. Shealey, was submitted to the pre-conference meeting of the Board of Directors. It covers the work of the Legislative Committee for the year just closed and will appear in The CREDIT WORLD. For this reason I have made no detailed explanation of the committee's activities.

Exhibits

We are indeed fortunate that we have as exhibitors the outstanding manufacturers of office equipment in America. They have come to this conference at considerable expense to themselves, and members are urged to visit the exhibits at every opportunity. They are here for your benefit.

Activities in the Field

Since June 1, 1946, I have visited associations in 40 cities in 18 states and the District of Columbia, and the provinces of Alberta and British Columbia. This compares with 52 cities in 14 states and 5 provinces of Canada last year. Business of the Association took me to California twice within the year and once to the Pacific Northwest. It was my privilege to cover nine of the 13 District Conferences.

Cooperation

The splendid cooperation of the Officers and Directors, personnel of the National Committees, Washington Representative Shealey, the National Office personnel and membership as a whole, both credit managers and bureau managers, has contributed to the steady growth and continued success of our Association. It is gratefully acknowledged. ★★★

Report of the Finance Committee

H. L. Reagan, *Chairman*

YOUR FINANCE COMMITTEE appointed by President Bunker for the fiscal year ending May 31, 1946, met at the National Office on February 5, 1947.

Members present at the meeting were Erwin Kant and Hugh Reagan, with General Manager-Treasurer Crowder sitting in ex-officio. Past President E. E. Paddon also attended the meeting. The other member of the committee, D. D. Bolen, could not be present, because of illness.

It was not possible for the committee to discuss the budget for 1946-1947 following adjournment of the Cleveland conference, inasmuch as a meeting of the Board of Directors was called for Thursday afternoon. However, the figures submitted to the Board by the General Manager-Treasurer were reviewed and the budget approved, with several changes proposed by Board members, which were acted upon favorably.

As of May 31, 1947, cash on hand and in banks, including bonds, totaled $32,380.13, compared to $27,869.63 the end of May, 1946. There is no unpaid indebtedness and the showing is somewhat better than we anticipated.

Your committee authorized the continuance of S. D. Leidesdorf and Company, Certified Public Accountants, to conduct a semi-annual cash audit of the receipts and disbursements.

Report of the audit for the six months ended November 30, 1946, was submitted to the committee. Report for the final six months of the year will be submitted to the Board of Directors at meeting on June 16.

It is a pleasure to inform you that your Association is in sound financial condition, credit for which is due to the excellent cooperation of the Officers, Directors and members, to the splendid work of General Manager-Treasurer Crowder, and to the untiring efforts of President Bunker. ★★★

Report of the Washington Representative

R. Preston Shealey

1. *N.R.C.A. Legislative Committee:* The N.R.C.A. Legislative Committee met in Washington, January 28, 1947, with Messrs. Severa (Chairman), Collegeman, Coonin, Eichelberger and Wolfinger present, the complete Committee, and Mr. Frank P. Scott of Washington, a National director. The Legislative Committee recommended that the writer write an article for The CREDIT WORLD on three subjects which may be of interest to state and city legislative committees of retail credit granters, these being (1) state interest provisions pertaining to small loans repayable in installments; (2) cooperation with referees in bankruptcy in bringing about more general use of Ch. 13, this in line with the N. Y. Conference Resolution to this effect, and (3) uniform state garnishment laws. This matter will be discussed further at St. Louis.

2. *Anti-Trust:* Much of the time of the writer since June 1, 1946, has been devoted to the position of the National Retail Credit Association in the light of the anti-trust statutes. Opinions concerning this matter have been heretofore transmitted to N.R.C.A. officers and directors in releases of November 22 and December 2, 1946, and May 2, 1947, supplemented through letter opinions during this period. Recent developments, including the *Business Week* article of April 19, 1947, indicate the necessity for action at the St. Louis Conference by the Board of Directors through resolution or otherwise intended to clear the N.R.C.A. from being included in any action which the Dept. of Justice may hereafter bring through adoption in any locality of community credit policy plans with price formula or other objectionable features, through concerted action, and for which action

the Dept. of Justice might feel the N.R.C.A. has been in part responsible. The writer will present what he believes will be appropriate action to offset any such possible charge, the reasons therefor, and supporting court decisions at the Board meeting in St. Louis.

3. *Bankruptcy:* (a) The legislation to place referees in bankruptcy upon a fee basis pending in Congress at the time of the Conference was discussed in the paragraph on bankruptcy in the Cleveland Conference report. To refresh the memories of readers of this report, who may not have read the Cleveland Conference report, the paragraph on this subject is appended. Thereafter the pending bill became a law on June 28, 1946, but with the incoming of this Congress it developed that certain elements were antagonistic to this measure and that they were endeavoring to defeat an appropriation to start the salaried system. In view of the economy drive, it was exceedingly difficult to have Congress appropriate a sufficient sum to start the system, but we believe that the campaign to bring about this appropriation has been successful, the House having already appropriated the funds necessary and satisfactory assurances are in hand that the Senate will do likewise. An article in the *N. Y. Times* of March 14, 1947, played an important part in bringing about this result, as did the efforts of Mr. Max Meyer, General Manager, Credit Bureau of Lincoln, Nebraska.

(b) However, a further step is necessary to bring about more extended use of wage-earner settlements (Ch. 13) and that is that Chapter 13 should be amended to provide that co-makers and guarantors should go along with the wage earner with protection from suit during extension. The American Retail Federation is expected to cooperate in the campaign for enactment of this amendment and it is possible that other organizations may support it, but on the other hand it should not be forgotten that it was pressure from small loan companies and other financial sources that persuaded Congress to drop from wage-earner amortization the provisions in the then pending legislation on this subject. The writer has prepared an appropriate resolution on this subject for adoption by the Conference at St. Louis.

(c) Efforts of the writer in cooperation with elements interested in successful operation of Ch. 13 are expected in the near future to culminate in adoption by the Supreme Court of a general order permitting wage-earner debtors to pay the initial $15 deposit for costs in three equal installments, $5 when the petition is filed, and in two separate payments, $5 each, during the life of the extension. It has been said that credit managers have not been taking much interest or using Ch. 13 during the war years and subsequently. Indications are that the picture in this respect is beginning to turn. December, 1946, bankruptcy filings show 849 cases but this figure has progressively increased so that the total filings for the fiscal year ending June 30, 1947, are expected to be 13,300 against 10,200 for the year ending June 30, 1946. For the year ending June 30, 1948, it has been estimated that they will reach 20,000 filings. If they do, the fees from these cases will sustain this system without further recourse to appropriations by Congress. Some sources indicate that we are now following the pattern which followed the First World War, but if a recession occurs it would not be possible to accurately forecast how violent it would be or how long.

4. *Mail.* On March 21, 1947, the writer testified before the Senate Post Office Committee and on March 24 Mr. Jos. A. White and the writer before the House Post Office Committee, on changes in postal rates to provide for Post Office operational deficiencies. At this writing, it is not possible to say definitely what will come out of the legislation pending in Congress on mail rates. The Senate P. O. Committee has not yet acted. Mr. White has continued his interest in this postal situation, as has also Mr. Frank Eichelberger. The House Committee has reported a bill which continues the first-class mail rate at three cents, the same as now in existence, but the present rate for the return receipt with address was not increased, though practically every other mail rate was increased by the House bill to take care of the existing postal deficiency. Steps were taken by the writer to bring about this result in the matter of the return receipt with address and will be explained to the Board at St. Louis. It has been the object of the Washington office to render as complete and as effective as possible the use of the return receipt with address mail procedure. In line with this purpose, the writer wrote an article on this subject which was published in the February, 1947, CREDIT WORLD, and procured the article from the Federal Trade Commission on the subject of "Skips," a related subject, which was published in the February, 1947, CREDIT WORLD. The two articles explained fully the procedure as it now exists. ★★★

34th Annual Business Conference

The 34th Annual Business Conference of the National Retail Credit Association will be held at the Banff Springs Hotel, in the city of Banff, Alberta, Canada, Monday through Thursday, June 7, 8, 9, and 10, 1948.

CREDIT FLASHES

Officers and Directors
Credit Women's Breakfast Clubs of North America

At the annual business meeting of the Credit Women's Breakfast Clubs of North America, held at Hotel Jefferson, St. Louis, Mo., June 18, 1947, the following officers were elected for the ensuing year: President, Eleanor R. Wilson, Anderson Furniture Co., Duluth, Minn.; First Vice-President, Mrs. Helen M. Lybold, Weinberg's, Butte, Mont.; Second Vice-President, Mrs. Pat Hughes, Merchants Credit Bureau, Birmingham, Ala.; Recording Secretary, Mrs. Louise F. Kelley, Koblentz, Chattanooga, Tenn.; Corresponding Secretary, Dorothy E. Higginson, Medical Arts Building, Duluth, Minn.; Financial Secretary, Francie Rowe, Mr. Foster's Shop, Washington, D. C.; and Treasurer, Mrs. Constance M. Brown, Doblyn's Footwear, Long Beach, Calif.


Eleanor Wilson

St. Louis Conference Photograph

Shown below is a photograph of part of the delegates who attended the general session of the 33rd Annual Business Conference of the National Retail Credit Association, Associated Credit Bureaus of America and Credit Women's Breakfast Clubs of North America, Hotel Jefferson, St. Louis, Mo., June 16, 1947.

J. H. Suydam in New Position

J. H. Suydam, manager, Credit Bureau of Toronto, Toronto, Ontario, Canada, has resigned his position and, on September 1, 1947, will assume the position of assistant general manager of the Canadian Credit Men's Trust Association Ltd. In addition to his many duties as manager of the Credit Bureau, he has found time to act as The CREDIT WORLD's Canadian correspondent. Since March, 1944, he has handled our department, "Granting Credit in Canada," in a most able manner. While we know his many friends and business associates in the United States and Canada will miss him, we join with them in saying, "Good luck, Mr. Suydam, in your new field of endeavor!"

Officers and Directors
Associated Credit Bureaus of America

The Associated Credit Bureaus of America, Inc., elected the following officers and directors at St. Louis in June to serve for the year 1947-48: President, Fred S. Krieger, Credit Bureau of Milwaukee, Milwaukee, Wis.; Vice-President, E. DeWitt, Seattle Credit Bureau, Seattle, Wash.; and Executive Vice-President-Treasurer, Harold A. Wallace, St. Louis, Mo. Directors: George C. Robinson, Retail Merchants Association, Richmond, Va.; Ernest Yarbrough, Credit Bureau of Winston-Salem, Winston-Salem, N. C.; Gordon L. Lewis, Merchants Credit Assn., Corpus Christi, Tex.; Emmett E. Barbee, Oklahoma City Retailers Assn., Oklahoma City, Okla.; William F. DeVere, The Cheyenne Credit Bureau, Cheyenne, Wyo.; J. A. Gross, Retail Merchants Credit Assn., Los Angeles, Calif.; and W. C. Slotsky, The Credit Bureau of Sioux City, Sioux City, Ia. Directors-at-Large: G. Don Smith, Credit Bureau of Montreal, Ltd., Montreal, Quebec, Canada; Ralph A. Wagner, Credit Bureau of Allentown, Inc., Allentown, Pa.; and Harry P. Earl, Credit Bureau of Salt Lake City, Salt Lake City, Utah. Harry E. Boyd, Retailers Collection Service, Alton, Ill., was named Chairman of the Collection Service Division, and R. G. Trosper, Credit Bureau of Greater Greensboro, Greensboro, N. C., was named Chairman of the Inter-Bureau Relations Committee.

N.R.C.A. Quarter Century Club Meets

Max Meyer, Credit Bureau of Lincoln, Nebraska, Elected President

THE SECOND ANNUAL meeting of the Quarter Century Club was in the form of a breakfast at the Statler Hotel, St. Louis, Wednesday morning, June 18, at 7:30. President Erwin Kant presided.

There were thirty-nine present, as listed below:

J. R. Adams, Associated Retail Credit Men of St. Louis, St. Louis, Mo.

H. R. Amos, Magee's, Lincoln, Nebr.

Dean Ashby, J. L. Brandeis & Sons, Omaha, Nebr.

E. H. Biermann, Credit Bureau of Des Moines, Des Moines, Iowa.

C. A. Brandes, M. O'Neil Co., Akron, Ohio.

A. B. Buckeridge, Credit Bureau of Greater New York, New York, N. Y.

R. E. Buckingham, Nashville Retail Credit Bureau, Nashville, Tenn.

Harry L. Bunker, H. C. Capwell Co., Oakland, Calif.

H. J. Burris, John Taylor D. G. Co., Kansas City, Mo.

L. S. Crowder, National Retail Credit Association, St. Louis, Mo.

*Giles C. Driver, 28552 Detroit Road, Westlake, Ohio.

A. C. Dunn, John M. Roberts & Son, Pittsburgh, Pa.

W. C. Durham, R. E. Kennington Co., Jackson, Miss.

C. Glenn Evans, The Halle Bros. Co., Cleveland, Ohio.

Mrs. Lillian M. Fidler, The Fashion, Columbus, Ohio.

T. L. Ford, The Credit Bureau, Inc., Pittsburgh, Pa.

P. O. (Bud) Greer, Jeweler, St. Louis, Mo.

V. M. Gribble, Lusky Furniture Co., Nashville, Tenn.

*E. C. Harlan, Route 1, Antioch, Tenn.

*C. F. Jackson, Route 2, Box 50, St. Clair, Mo.

W. H. Jernigan, Merchants Credit Association of Mobile, Mobile, Ala.

Erwin Kant, Ed. Schuster & Co., Inc., Milwaukee, Wisc.

L. M. Karpeles, Burger-Phillips Co., Birmingham, Ala.

Fred S. Krieger, Credit Bureau of Milwaukee, Inc., Milwaukee, Wisc.

A. J. Kruse, Credit Bureau of St. Louis, St. Louis, Mo.

H. W. Leonard, Joseph Horne Co., Pittsburgh, Pa.

Fred C. Marth, A. Harris & Co., Dallas, Texas.

Wm. H. Meinberg, Famous-Barr Co., St. Louis, Mo.

Max Meyer, Credit Bureau of Lincoln, Nebraska, Inc., Lincoln, Nebr.

*H. L. Mueller, 3522 Humphrey St., St. Louis, Mo.

*George L. Neuman, St. Louis Dairy Co., St. Louis, Mo.

T. A. Nickel, Bromberg & Co., Birmingham, Ala.

C. W. Orwig, Commonwealth Trust Co., Pittsburgh, Pa.

E. E. Paddon, Lammert Furniture Co., St. Louis, Mo.

Miss Alma Spiller, Byck Bros. & Co., Louisville, Ky.

Oscar A. Spletter, Niss Furniture Store, Milwaukee, Wisc.

W. V. Trammell, Merchants Credit Association, Birmingham, Ala.

*Sig Wolfort, Stix, Baer & Fuller Co., St. Louis, Mo.

*H. R. Zollinger, 5639 Bermuda Drive, Ferguson, Mo.

Several members were in St. Louis but were unable to attend—among them C. G. Kaessner and Col. Franklin Blackstone of Pittsburgh, W. H. Gray of Cleveland, J. W. Mehling of Baltimore, G. E. Harris, Baltimore, and Chas. Reno of St. Louis.

Mr. Kant introduced the Honorary Life Members, and brief remarks were made by each.

Sig Wolfort referred to the history of the National Association and the first convention held in St. Louis, in 1914.

Past President Giles Driver commented on the many years he was connected with the Association and the many friends he had made. He suggested that the members stand for a moment in memory of our members who have passed on.

It was suggested by Messrs. A. B. Buckeridge and L. M. Karpeles that more publicity be given the Quarter Century Club. Also that the annual meeting be publicized in two or three issues of The CREDIT WORLD prior to each annual conference of the Association.

Mr. Crowder suggested that Associations and Credit Bureaus submit lists of Quarter Century Club members. He explained that membership buttons will be mailed, in September, to all members enrolled up to that time to whom buttons have not been presented. He suggested, further, that the button be worn at each District meeting and every annual conference, and that in the future admission to the breakfast be by button only. In other words—no button, no breakfast.

It was suggested by Mr. W. C. Durham that a list of members be sent to each club member. Mr. Crowder stated that instead of a mimeographed list, names of all members of the club will be published in The CREDIT WORLD, in September or October.

The following Officers were elected for the ensuing year:

President—Max Meyer, Credit Bureau of Lincoln, Nebraska, Inc., Lincoln, Nebr.

Vice-President—L. M. Karpeles, Burger-Phillips Co., Birmingham, Ala., a Past President of the National Retail Credit Association.

Secretary—H. W. Leonard, Joseph Horne Co., Pittsburgh, Pa. (It was pointed out that Mr. Leonard has been with his firm 52 years.)

Treasurer—L. S. Crowder, St. Louis. (Inasmuch as there will never be any funds in the treasury, no doubt the office of Treasurer was created so that the National will be sure to pay for the breakfast at each annual conference.)

The newly elected Officers were presented by Mr. Kant. After brief comments by them, the meeting adjourned, at 8:50 A.M. ★★★

*Honorary Life Members.

The CREDIT Clinic

Sales Promotion · Interviewing · Investigating · Authorizing · Billing · Collections · Control

A "give-and-take" page, wherein readers may ask — and answer — questions about their credit and collection problems and solve them in the laboratory of practical experience . . .

Conducted by ARTHUR H. HERT, Research Director

(Continued from the June CREDIT WORLD.)

The Questions

What are other stores doing to improve the service in their authorization department?

What new methods are being used to speed up the service at cashiers' windows?

The Replies

Denver, Colorado: No specific changes have been made in our regular methods or routine of authorizing charges with the exception that during busy seasons, sale days, etc., additional help is assigned to our authorization board. During such periods of time, the minimum charge limit is increased, thereby relieving the authorization board of the overload, and smaller charges are authorized automatically.

Our cashiers for Accounts Receivable operate two windows and additional help is assigned during rush periods, etc.

★ ★ ★

Denver, Colorado: We have made no recent changes in our authorization department service. Our service is prompt and adequate, we believe. Up to $5 is given out without a credit o.k., up to $20 on credit card of current date.

We are not pressed with the problem of speeding up services at cashiers' windows. Our basement cashiers relieve the pressure on the credit office cashiers.

★ ★ ★

Denver, Colorado: We deliver "take-with" charge purchases up to $5 without pre-authorization or identification. This has increased our fraudulent purchases in this bracket, but has speeded up our service. Charges that are over $5 are sent to the authorization department for an o.k. before merchandise is delivered, although at peak periods we often stamp charges up to $10 without referring to our files. Also, we recently installed a Linedex Rotary file in our authorization department, which has speeded up our service.

Payroll checks on local, well-known firms are cashed promptly at our cashiers' windows, when properly identified. Personal checks on local banks are also cashed promptly, when the customer is paying a bill, or presents proper identification. If the customer does not have a statement, the check must be o.k.'d by the credit office. It is our policy to have sufficient cashiers' windows open at peak periods of the month, and busy periods during the day, to serve customers paying their bills as promptly as possible. We want to encourage customers to come into the store to pay their bills, and we defeat our purpose if they are required to wait too long in line to pay their bill.

★ ★ ★

Oakland, California: Wartime accounts which have been conservatively rated are now being up-rated whenever possible. The advisability of increasing the floor limits on Charga-Plate transactions is being studied at this time.

To eliminate unnecessary waiting in line for cashiers, we have installed a drop box for checks and bill heads. This plan has been in operation for three or four years.

★ ★ ★

Omaha, Nebraska: We have raised the limit of the Charga-Plate authorization on the floor. Also, prompt authorization of written sales checks to the amount of $5 are acceptable by our authorizers without reference to the customer's account. This has greatly speeded up the small transactions and remedied a great many "look ups."

We have speeded up the service at the cashiers' windows by the use of the Mail Drop near the cashiers. With a supply of envelopes available, it can be used by the customer to insert the check and statement stub, and drop them in the Mail Drop. This makes it unnecessary for customers to stand at the window.

★ ★ ★

Pittsburgh, Pennsylvania: We have made no new improvements in authorization department service unless it is in the installation of Cycle Billing.

No new methods to speed up cashier's service at windows except by buying new machines.

★ ★ ★

Salt Lake City, Utah: We have recently installed cycle billing. In connection with this, we have changed from the pneumatic tube authorizing system to the charge phone, which has speeded the authorizing of charge sales. In addition, we use the credit card, permitting a salesperson to release a package without Credit Department authorization if the sale is under $25. Also, we have a floor credit limit of $5, permitting the release of all charge takes under $5, if the salesperson knows the individual or is reasonably certain that the customer does have a charge account. We are expecting to test negative authorizing in the very near future.

Cycle billing has leveled out the peaks at the cashier windows materially. Too, will-call and installment accounts are recorded on a pass book by the cash register, which eliminates the necessity of the cashier's writing a separate receipt for each payment made.

San Francisco, California: At the present time, considerable thought is being given to the authorization department and the opportunities to speed up customer service. However, there have been no changes made other than to see that the authorization department is fully staffed with competent people able to handle whatever traffic may come to it.

At present, the same applies to your second question. Plans for additional windows, new machines, and more personnel are being considered. However, these plans are for the future. We are handling our traffic now with considerable ease, as we are well staffed with trained employees.

★ ★ ★

San Francisco, California: We have recently increased the authorization staff in order to improve our service and we are stressing the idea of 100% usage of Charga-Plate. Due to an increasing number of fraudulent purchases, and in an effort to arrest this, we have discontinued all under-authorization on "take withs" unless the customer presents a Charga-Plate.

The same answer applies to the second question as to the first. Cashiers are instructed to ask every customer for her Charga-Plate, the use of which speeds up service at the cashier's window considerably. A slot-box has been installed in the cashier's office so that customers who have their checks made out in advance, attached to the top portion of the statement, may deposit them without being compelled to stand in line during peak hours. We also have a cashier's office on the main floor for the service of our customers, with the same plan in effect.

★ ★ ★

Springfield, Massachusetts: Since changing over to Cycle Billing, we have set up a Line-dex file for Negative Authorizing. The file contains a list of accounts which must be referred to the ledger before authorizing. These accounts include customers whose accounts are past due, those who wish to confine purchases to themselves only, fraudulent purchases which must be watched, accounts closed by husbands, and those who are overbuying. This has speeded up our operation, and we are pleased with the result.

We have placed signs on each cashier's cage requesting customers to have their Charga-Plate ready before they reach the window. We have found that some delay is caused by reaching the window and finding it necessary to search for the plate. We have also asked the cashiers not to try and answer questions which customers ask, but to refer them to the adjustment office, which is situated near by. This also eliminates unnecessary holdups.

★ ★ ★

Springfield, Missouri: We have no new method for authorizing credit. We still use the inter-communication telephone.

We have only one cashier in the office; however, during busy periods other office employees help to take care of the customers.

★ ★ ★

Vancouver, B. C.: We are using a simple code on our authorization index so that fewer charges on good accounts will be referred out for approval without lessening the control over borderline accounts.

Customers are supplied with a receipt form or payment slip to present with payment of their Charge, Deferred Payment, Budget or Coupon Accounts. Customers fill in their name and address before presenting with payment and the form is imprinted by a Pay Bill Machine. The Posting Voucher Portion of the form is retained to be posted to the Ledger the following day.

★ ★ ★

Wichita Falls, Texas: We do not have much difficulty in our authorization department. We use Lamson system of tubes, and at peak periods we use two authorizers.

With reference to the method used in the cashier's window, at peak periods we use two cashiers. This takes care of our cash receipts in a satisfactory manner.

"In my opinion, the 33rd Annual Conference of the National Retail Credit Association held in St. Louis was a huge success, and I would like to compliment you and your staff, together with the committee who planned such a fine program. My conversations with many of the delegates convinced me that they, too, feel the meetings were well worth the time and effort spent in preparing them."—J. F. Eichelberger, Credit Manager, The Hub, Baltimore, Md.

"Your CREDIT WORLD is very enlightening and I get great enjoyment out of reading what is happening throughout the country relative to credit work."—Bernard Kraus, Credit Manager, The National, Atlantic City, N. J.

"I was greatly impressed by the many splendid articles contained in the June issue of The CREDIT WORLD, especially the one dealing with frauds. The extra copies which we wired you for reached us today, and I want to thank you for your prompt attention. We are putting them in the hands of our Assistant Managers for their benefit, as the article and the others dealing with credit situations are very up-to-the-minute and splendidly written."—Joseph Samuel, Comptroller, The Roosevelt Hotel, New Orleans, La.

"Thanks a lot for the Silver Anniversary 25-year button and the membership card. I think it is grand that so many members treasure their long affiliation with the N. R. C. A."—A. B. Buckeridge, Executive Manager, Credit Bureau of Greater New York, Inc., New York, N. Y.

"It was with a great deal of pleasure that I received the 25-year membership club pin, which was presented to me at the directors' meeting of the Credit Bureau of South Bend, Ind. My association with you and the members of the National Retail Credit Association has always been one of my greatest pleasures, and your recognition only helps to add to that happy affiliation."—Mrs. Verne A. Zimmerman, Treasurer & Director, Credit Bureau of South Bend, South Bend, Ind.

"May I express my sincere appreciation for the beautiful pin presented to me recently in recognition of 25 years or longer as a member of the National Retail Credit Association. It certainly was a fine gesture! I assure you of my sincere good wishes for the continued success of our organization, and my kindest personal regards."—E. F. (Jack) Horner, Credit Manager, Kline's, St. Louis, Mo.

"I truly enjoyed the National Conference in St. Louis and know the two national offices worked hard to make this year's conference outstanding in every respect."—Harry P. Earl, Secretary, Associated Retail Credit Men, Salt Lake City, Utah.

"I enjoyed the St. Louis Conference very much and heard nothing but commendable statements regarding it."—George B. Allen, Secretary, Retail Credit Association of Springfield, Mass.

CREDIT DEPARTMENT *Letters*

W. H. BUTTERFIELD, ***Educational Director,*** **National Retail Credit Association**

IF ALL THE credit men and women who write letters in the threadbare language of the "gay nineties" were to meet for a convention, many well-known firms would be represented. So would every state in the Union.

And perhaps—if all the credit department personnel who "beg to advise" and "wish to remain" could be corralled in one spot—a convention of this kind would do some good. Perhaps some of the group could be convinced that we passed the "turn of the century" about forty-seven years ago—and that quill-pen language in business letters, like the pony express and the stagecoach, has been supplanted by more efficient methods of communication.

Countless books and magazine articles on effective writing have deplored the fact that many correspondents—through sheer habit and mental laziness—still cling to the meaningless, outmoded expressions of fifty years ago. But most of the persons who deserve this criticism are too lethargic to profit by it. And among them are many credit men and women.

Each month I see hundreds of credit department letters that are packed with hackneyed expressions. Here are two samples that arrived the same day.

Exhibit A—a letter declining requests for credit:

Dear Sir:

Referring to your recent application for an account with us, we regret exceedingly to advise you of our inability to consider the matter favorably at this time.

We wish to thank you for the application and trust that circumstances will permit of a favorable reconsideration of the matter in the near future.

In the meantime we hope to merit a portion, at least, of your patronage for which we thank you in advance, and promising you our very best in point of service and merchandise at all times, we are

Yours very truly,

Exhibit B—a letter of thanks for new charge accounts:

Dear Madam:

The writer has been advised that we were recently permitted the privilege of placing our credit facilities at your disposal.

May I take this opportunity to express our thanks for the pleasure of your patronage, and to assure you that we shall endeavor to merit the favor of your frequent visits. It is our desire to be of service at all times.

Hoping you will pay us a visit in the near future, and again thanking you for your interest in our store, I remain

Very truly yours,

Even the most hopeless slave to the stock-phrase habit is a human being when caught off guard. Suppose he is pleasantly surprised when an old friend, in town for the day, telephones him at the office. "Why, Jim," he exclaims, "it's good to hear your voice! How long will you be in town? Can you have lunch with me?"

Not even the "rubber-stamp" addict would think of using the language of his letters, and saying:

This will acknowledge receipt of the information that you are in the city at the present time. Please be advised that same has been noted with pleasure. I wish to take this opportunity to inquire as to the anticipated length of your stay on this occasion, and to request that you grant the highly esteemed favor of lunching with me if same meets with your convenience.

No, the mechanical man becomes an animated human being during his conversation with an old friend. He loosens up, enjoys his luncheon visit about old times, and has some good laughs. Perhaps he is even late getting back to the office.

But once seated at his desk again, he pitches into the afternoon correspondence to make up for lost time. "Your communication of recent date has just come to hand," he begins, "and the writer notes therefrom, etc., etc." Now the human being is once more an emotionless robot—ready to treat customers of his firm as if they were robots, too.

Pretty stupid, isn't it? Yet this performance is repeated in countless offices, day after day, all over the nation. Full grown men and women fill their letters with meaningless prattle, not only wasting the time of their readers but insulting their intelligence as well.

Just how do you fit into this farcical, but factual, description of what goes on in thousands of credit departments? If you are one of those rare correspondents whose letters are as human as you are, then you're wasting your time reading this column. Nothing in it applies to you. Go to the president of your firm and ask for a raise—you deserve it! But if you're part of the familiar picture painted in the foregoing paragraphs—if your letters are loaded with the "chestnuts" shown on the next page—then you're lucky to have any salary at all. It's probably twice what you're worth.

If the shoe fits, put it on. And if it helps any to be peeved at me, go right ahead—but stop using the absurd language that makes a laughing stock of the credit department. Write me a letter, if you like, and tell me in your choicest cuss words what you think of this article. It will probably be the first human letter you ever wrote—surely the most forceful and sincere.

By the law of averages, a considerable percentage of the letters you write will be read by persons with intelligence and discernment. Even if your company is satisfied with obsolete correspondence methods, what about your own personal pride? Are *you* satisfied to sign your name to letters that make you appear ridiculous? You will never meet some of the customers who catalog you as a high-grade moron, so they will have no occasion to revise their opinion. Is that the kind of rating you want? ★★★

Avoid These Trite Expressions

according to our records

as per your request

at an early date

at the present writing

at your earliest convenience

avail yourself of the opportunity

await the pleasure of a reply

beg to state (or suggest, remain, etc.)

deem it a privilege

enclosed herewith please find

favor us with an answer

for your information may I say

hand you herewith

hoping this is satisfactory

hoping to be favored

hoping to hear from you in due course

if our records are correct

in accordance with your wishes

in connection therewith

in reference to the above

in regard to yours of recent date

in reply to same would say

in reply to your recent favor

in the near future

in this connection please note

it has come to my attention

it will be our constant endeavor

kindly be advised

kindly fill out and return same

kindly inform us of your wishes

kindly send check by return mail

may I take the liberty

merit your kind attention

permit me to state

please advise accordingly

please be advised

please favor us with your check

please find enclosed

pursuant to yours of recent date

referring to yours of the 10th

regret exceedingly to advise

take great pleasure in announcing

thanking you for your interest

thanking you in advance

the favor of a reply

the pleasure of your patronage

the privilege of serving you

the writer wishes to state

this is to advise you

under separate cover

we note from our records

we shall endeavor to merit

wish to call to your attention

wish to take this opportunity

with your kind permission

your communication of the 4th inst.

your kind attention

your past favors

your valued patronage

your valued request

yours of recent date to hand

yours received and contents duly noted

Collection Scoreboard

Compiled by the Research Division

June, 1947 . . . . **June, 1946**

CITIES	DEPARTMENT STORES (Open Accounts)						DEPARTMENT STORES (Installment Accounts)						WOMEN'S SPECIALTY STORES						MEN'S CLOTHING STORES					
	1947			1946			1947			1946			1947			1946			1947			1946		
	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.
Atlanta, Ga.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Baltimore, Md.	47.3	50.2	42.4	53.2	62.5	46.5	26.7	36.0	20.2	32.1	48.7	24.8	47.2	49.6	44.8	51.5	52.4	49.0	47.3	49.5	45.2	—	56.3	—
Birmingham, Ala.	48.9	58.7	45.0	57.2	62.3	52.5	30.9	34.9	26.9	43.5	44.1	42.9	48.1	50.3	46.0	54.7	55.4	54.0	55.6	57.4	53.2	69.1	71.3	66.0
Boston, Mass.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Cedar Rapids, Ia.	62.2	80.5	61.3	73.0	86.0	70.4	—	25.5	—	—	32.1	—	—	—	—	—	—	—	—	—	—	—	—	—
Cincinnati, Ohio	57.6	63.2	52.6	66.2	73.9	54.6	23.0	28.2	19.5	30.0	41.7	20.2	58.5	63.1	53.9	66.6	69.5	63.8	56.9	61.1	52.8	67.0	67.6	66.4
Cleveland, Ohio	54.2	57.5	42.6	59.3	69.2	48.2	31.6	35.2	27.3	38.2	39.3	33.8	—	54.5	—	—	40.0	—	61.3	92.5	46.9	73.9	101.6	53.3
Columbus, Ohio	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Davenport, Ia.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Denver, Colo.	54.4	57.4	50.7	63.2	69.0	60.7	32.9	44.6	23.8	33.5	64.9	29.7	54.1	57.4	50.7	63.7	65.9	[illegible]	—	—	—	—	—	—
Des Moines, Ia.	—	57.5	—	64.2	64.6	63.8	—	32.4	—	—	40.2	—	55.4	69.0	48.4	62.6	74.7	[illegible]	64.0	66.1	61.2	80.0	84.2	75.9
Detroit, Mich.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Grand Rapids, Mich.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Kansas City, Mo.	62.0	67.0	57.0	62.9	66.0	59.8	22.6	32.2	22.0	28.0	30.1	29.6	65.0	70.4	54.3	69.9	80.0	61.0	—	—	—	—	—	—
Little Rock, Ark.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Los Angeles, Calif.	60.6	68.4	56.0	72.4	81.0	64.9	32.7	40.6	23.1				58.0	59.0	44.0	60.0	72.2	47.5	63.0	76.6	58.3	77.7	87.0	74.7
Louisville, Ky.	50.5	52.0	48.7	59.5	60.5	58.6	27.2	33.8	20.6	36.7	40.5	22.9	44.3	44.6	44.0	59.2	61.0	57.5	52.4	63.1	45.0	70.7	82.1	58.0
Lynn, Mass.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Milwaukee, Wis.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Minneapolis, Minn.	69.1	77.0	57.7	75.5	80.8	70.0	37.4	39.6	34.6	41.1	45.7	37.7	56.4	62.7	50.1	78.2	78.4	78.0	70.7	77.8	63.6	76.5	81.5	70.5
New Orleans, La.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
New York, N. Y.	55.3	72.2	39.0	57.7	77.3	44.0	22.6	47.6	19.6	25.4	37.2	18.9	—	48.0	—	—	52.8	—	56.2	63.0	49.4	—	50.1	—
Oakland, Calif.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Omaha, Neb.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Pittsburgh, Pa.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Providence, R. I.	51.4	60.0	49.0	55.1	65.0	53.8	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
St. Louis, Mo.	59.2	62.2	56.0	64.3	74.1	51.5	32.7	36.4	27.9	42.4	46.3	35.0	47.9	56.0	41.7	54.3	57.8	50.3	54.2	57.1	51.0	63.7	71.8	62.4
Salt Lake City, Utah	72.7	78.8	64.9	82.1	88.6	72.3	34.8	41.0	27.0	33.4	34.9	31.9	—	59.6	—	—	73.4	—	—	—	—	—	—	—
San Francisco, Calif.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Santa Barbara, Calif.	62.8	66.5	58.3	—	—	—	—	—	—	—	—	—	66.5	74.5	61.0	—	—	—	75.6	81.0	67.1	—	—	—
Sioux City, Ia.	62.2	70.5	54.0	—	70.1	—	27.0	29.7	24.4	—	30.6	—	55.0	66.0	44.0	—	—	—	65.9	70.0	61.8	68.7	69.5	68.7
Spokane, Wash.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Springfield, Mass.	57.5	63.0	52.0	67.9	70.7	65.2	32.1	39.4	24.8	36.1	46.3	25.8	—	72.8	—	—	75.4	—	—	58.2	—	—	72.5	—
Toledo, Ohio	50.4	54.2	49.0	59.8	60.0	56.2	24.5	27.3	22.6	27.7	28.1	23.7	50.1	54.5	47.1	59.1	59.2	59.1	49.0	49.9	48.1	53.6	54.0	52.3
Tulsa, Okla.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Washington, D. C.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Worcester, Mass.	51.1	51.5	50.8	58.3	60.0	56.7	34.2	38.3	30.2	37.7	42.7	33.8	42.4	53.6	41.0	59.0	61.5	39.8	—	56.4	—	—	70.0	—
Youngstown, Ohio	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Ottawa, Ont.	44.2	47.5	39.7	51.5	57.9	51.1	—	25.9	—	—	26.9	—	—	—	—	—	—	—	—	—	—	—	—	—
Vancouver, B. C.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Victoria, B. C.	68.6	74.0	63.2	80.8	91.3	70.4	38.5	39.2	37.8	46.2	46.9	45.5	—	—	—	—	—	—	—	—	—	—	—	—

8-47 A.H.H.

THE PROCEEDINGS of the Department Store Group, Cycle Billing Forum and Credit Clinic of the 33rd Annual Business Conference of the Association, held in St. Louis June 16-19, 1947, are now being transcribed. They will be available in mimeographed form. The Credit Clinic, under the chairmanship of Ted W. Walters, The Bank of Ohio, Cleveland, consisted of a panel of 16 experts in nine different phases of business, and covered 70 questions on ten different subjects. The Department Store Group, under the chairmanship of Urban Morf, O'Connor, Moffatt and Co., San Francisco, held two sessions at which the members requested answers to a list of 115 prepared questions on ten subjects. The Cycle Billing Forum, under the chairmanship of Dean Ashby, J. L. Brandeis and Sons, Omaha, and a panel of four well-known credit executives, was an overflow meeting, and those in attendance requested answers to 70 prepared questions on ten subjects. The proceedings of these three important features of our program are an exact transcript of the discussions. They will be available at $3.00 per copy, and, as the supply will be limited, we suggest that you place your order now.

A. H. Hert

Monthly CREDIT STATISTICS

CONSUMER CREDIT outstanding increased about 250 million dollars during May to an estimated total of 10,664 million dollars or approximately 550 millions higher than the prewar peak.

Instalment loans outstanding increased about 3 per cent in May or at approximately the same rate as in other recent months. Repair and modernization loans continued to rise seasonally and at the end of the month were nearly double the amount outstanding on May 31, 1946. Single-payment loans outstanding declined slightly for the fourth successive month and at the end of May were 21 per cent above the year-ago level.

Charge-account indebtedness, which customarily shows little change in May, increased slightly. For the past two months charge accounts receivable have been approximately 30 per cent higher than in the corresponding period last year.

Ratio of Collections to Accounts Receivable[1]

MONTH	INSTALMENT ACCOUNTS				CHARGE ACCOUNTS
	DEPARTMENT STORES	FURNITURE STORES	HOUSEHOLD APPLIANCE STORES	JEWELRY STORES	DEPARTMENT STORES
1941					
December	20	11	12	23	46
1942					
June	22	14	13	22	56
December	31	18	15	30	65
1943					
June	29	21	21	33	62
December	35	22	22	55	63
1944					
June	31	24	28	30	63
December	36	23	39	49	61
1945					
June	32	23	43	33	64
December	36	24	48	46	61
1946					
June	33	26	55	32	60
December	35	26	47	44	54
1947					
January	29	23	47	26	52
February	28	21	42	25	51
March	32	25	44	27	56
April	29	23	43	25	54
May	29	25	42	26	56

[1]Ratio of collections during month to accounts receivable at beginning of month.

CONSUMER INSTALMENT SALE CREDIT, EXCLUDING AUTOMOTIVE

[Estimated amounts outstanding. In millions of dollars]

END OF MONTH OR YEAR	TOTAL EXCLUDING AUTOMOTIVE	DEPARTMENT STORES AND MAIL-ORDER HOUSES	FURNITURE STORES	HOUSEHOLD APPLIANCE STORES	JEWELRY STORES	ALL OTHER RETAIL STORES
1941	1,805	469	619	313	120	284
1942	1,012	254	391	130	77	160
1943	641	174	271	29	66	101
1944						
June	515	138	237	15	44	81
December	635	184	269	13	70	100
1945						
June	532	151	237	11	49	84
December	676	198	283	14	74	107
1946						
June	699	210	299	17	63	110
December	1,015	338	366	28	123	160
1947						
January	985	337	352	27	114	155
February	978	338	349	30	107	154
March	1,004	358	354	29	105	158
April	1,060	386	366	32	109	167
May	1,113	408	382	33	115	175

DEPARTMENT STORE SALES BY TYPE
(Percentage of total sales)

YEAR AND MONTH	CASH SALES	INSTALMENT SALES	CHARGE-ACCOUNT SALES
1941—January	49	8	43
December	53	6	41
1942—June	56	5	39
December	61	5	34
1943—June	60	4	36
December	65	4	31
1944—June	63	3	34
December	64	4	32
1945—June	63	3	34
December	64	4	32
1946—June	59	4	37
December	57	5	38
1947—January	57	6	37
February	56	6	38
March	55	6	39
April	55	6	39
May	55	6	39

TOTAL CONSUMER CREDIT, BY MAJOR PARTS

[Estimated amounts outstanding. In millions of dollars]

END OF MONTH OR YEAR	TOTAL CONSUMER CREDIT	TOTAL INSTALMENT CREDIT	INSTALMENT CREDIT				SINGLE-PAYMENT LOANS	CHARGE ACCOUNTS	SERVICE CREDIT
			SALES CREDIT			LOANS			
			TOTAL	AUTOMOTIVE	OTHER				
1941	9,899	5,924	3,744	1,942	1,802	2,180	1,601	1,764	610
1942	6,485	2,955	1,491	482	1,009	1,464	1,369	1,513	648
1943	5,338	1,961	814	175	639	1,147	1,192	1,498	687
1944									
January	4,988	1,857	742	169	573	1,115	1,145	1,294	692
June	5,168	1,840	706	192	514	1,134	1,242	1,370	716
December	5,777	2,039	835	200	635	1,204	1,251	1,758	729
1945									
January	5,486	1,972	777	192	585	1,195	1,246	1,534	734
June	5,697	1,987	719	188	531	1,268	1,420	1,544	746
December	6,734	2,365	903	227	676	1,462	1,616	1,981	772
1946									
January	6,505	2,363	877	235	642	1,486	1,659	1,701	782
June	7,762	2,908	1,035	336	699	1,873	1,697	2,327	830
December	9,959	3,986	1,559	544	1,015	2,427	2,055	3,054	864
1947									
January	9,783	4,061	1,566	581	985	2,495	2,089	2,764	869
February	9,728	4,172	1,609	631	978	2,563	2,080	2,602	874
March	10,216	4,329	1,691	691	1,004	2,634	2,243	2,768	876
April	10,413	4,543	1,813	753	1,060	2,730	2,215	2,782	873
May	10,664	4,747	1,923	810	1,113	2,824	2,203	2,840	874

• Large Consumer Spending and Export Trade Keep Business High •

BUSINESS ACTIVITY has continued to hold up better than was generally expected and few significant signs of any marked falling have yet appeared. In recent weeks the trend has been slightly upward in a number of lines although most indicators are holding quite steady with very little change. Business remains on the high plateau which has been maintained for several months.

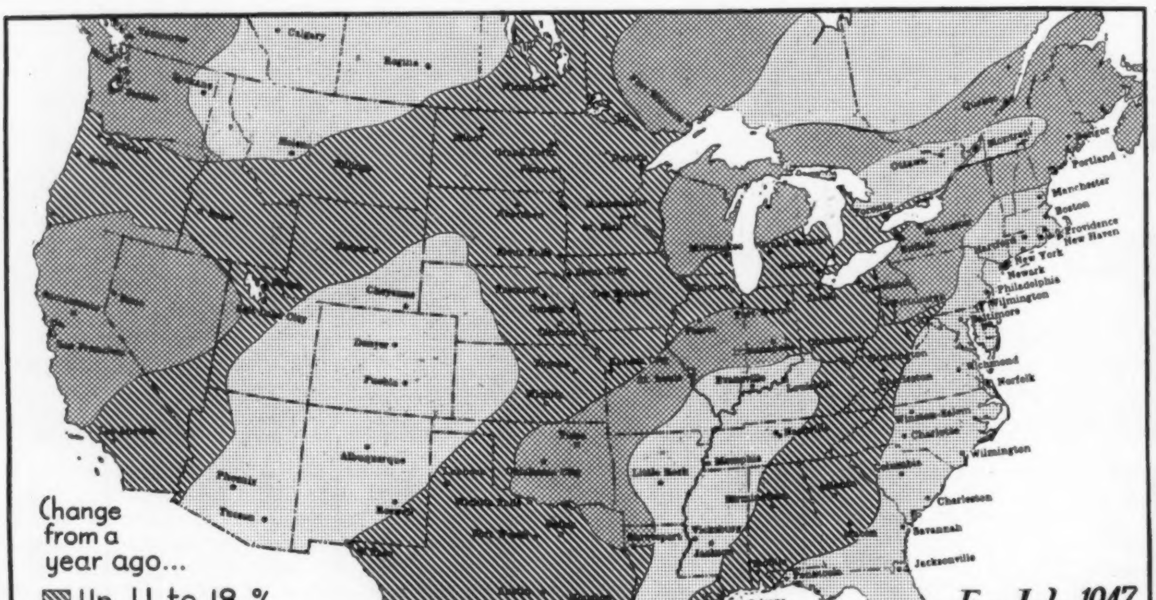
ACTIVITY HAS BEEN stimulated from three major sources. Consumers are still spending in large quantities, not only from their current large incomes but also from savings. Business is spending considerable sums for constructing and equipping plants to produce enough goods to meet the demand. Exports are being maintained at close to the wartime peak and a substantial percentage of current production finds an outlet abroad. As long as all three factors continue to operate at high rates the level of business will be high.

THE TOTAL VOLUME of trade and industry, as measured by financial transactions, now averages about 8 per cent higher than it was last year at this time, and very close to the peak, except during the holiday buying seasons. The main factor in the increase has been the higher price level, and the physical quantities of goods sold are probably a little lower than they were a year ago. Activity in many of the service industries has been declining gradually.

TRADE IS VERY ACTIVE in the agricultural districts, especially in the northern section of the Middle West. Prices of most farm products are either rising or holding firm at high levels, while farmers have large quantities of crops and livestock ready for market. Unfavorable weather has not yet seriously affected business in these areas as prospects indicate that large crops are possible again this year. Demand from domestic consumers as well as for shipment abroad will be large.

BUSINESS IS HOLDING well in the industrial regions around the Great Lakes both in Canada and the United States. The heavy goods industries are making the best showing and in the cities where they predominate activity is being maintained best. Production in many of the non-durable goods industries has been gradually tapering off, although the changes have not been great in most lines. Trends among the two classes have been diverging, however, and indicate that significant readjustments are going on which may later affect the total volume of production.

CANADIAN INDUSTRIAL ACTIVITY has risen throughout most of this year but the rate of increase has been slowing down. The total volume of trade and industry is estimated at not far from 5 per cent above last year and indications are this level will be maintained for some time. Agricultural prospects are fairly good although unfavorable weather in some areas has reduced the estimates for farm production this year. Consumer purchasing power is high and demand for industrial as well as farm products is large enough to sustain business activity.—BUSINESS BULLETIN, La Salle Extension University, Chicago, Ill.



Charge Account Collections

S. G. Stonestreet

Collection Manager, Charge Office, The Robert Simpson Co. Ltd.

Toronto, Ontario, Canada

IN SETTING UP a charge account collection system in any organization, the first thing to be determined is the collection or credit policy. This depends largely on the reserve capital of the company and on whether we desire to promote, discourage or moderately control credit sales. If we are employed by a company with considerable reserve capital, we can afford to adopt a liberal collection policy. Assuming that we wish to promote credit sales to the greatest possible extent, we will adopt a policy which will assist us in doing this and yet will not allow our outstanding accounts to run wild and result in write-offs and heavy losses.

An up-to-date and easy-to-read collection record is essential to the efficient operation of any Collection Department. There are varied opinions as to the best type of collection record but we have found the collection card most satisfactory for both charge and instalment accounts. True, it means keeping a duplicate record, but, in spite of this, we find it greatly facilitates our collection operation. Even a junior clerk can tell at a glance whether the account is paid promptly, a little slowly or very slowly. This is important when handling a large number of accounts.

Different Types of Cards

Of course, there are many different types of cards, designed to fit the needs of different organizations. Our card is designed to last for two years and is prepared for every Charge Account as soon as it is opened. If the account is never overdue, the card is not used, but this very fact indicates that the account always has been paid promptly. On one side of the card is a place for the name, address, account number, limit and the date the account was opened. Space is also provided for telephone numbers, customer's employment, etc., and any remarks or instructions about handling the account. The remainder of this side consists of a series of columns for the outstanding arrears. These figures are broken down as to the number of months overdue in seven columns —from one month to six months and a final column for over six months. There is a column for coding form letters and another for recording payments and refunds. On the reverse side of the card, all notations are made concerning correspondence with the customer and arrangements and promises to pay.

Before we dun customers for payment, it is important that certain precautions be taken to inform us of the exact status of the account. Therefore, it becomes essential to see that all payments have been recorded on the collection card. Clerks should be thoroughly conversant with the collection routine so that they fully realize the importance of each operation. We have the collection clerks sign for each ledger when checking for cash so that we can bring any errors to the attention of the person responsible. In a large organization, there is always the possibility that payment of an account is being withheld pending the completion of some adjustment, unknown to the Collection Department. Thus, an adjustment record should be kept and checked thoroughly before a ledger is given to the Collection Manager. Any accounts under adjustment should be marked accordingly and, if possible, the amount involved should be indicated.

Having taken these precautions, we are ready to proceed with reviewing the overdue accounts and deciding what steps we shall take to obtain payment. Each overdue account should be scrutinized, although not necessarily dunned, at least twice a month. This is important, not so much because of the bad accounts as because of the "little slow" ones. If not carefully watched, these may become slow and unsatisfactory, resulting in increased collection operation costs.

Here are the different methods of collection, listed as they are usually employed in the degeneration of an account from the "slightly overdue" stage to the "almost hopeless" category: Form notices, form letters, telephone, especially dictated letters, personal calls by collector, and legal action or collection agency. The most successful of all dunning methods, of course, is the personal interview. This is an opportunity which presents itself all too infrequently, as it depends entirely on the customer's coming in to discuss the account with us.

It is wise to let the debtor do most of the talking. In most cases, he or she will have called to offer some explanation, and it is a wise and tactful Collection Manager who sits back and listens. While the debtor is talking, you have a splendid opportunity to size him up. It will not take long to determine whether he is sincere, indifferent or stalling, and you can then decide just how to handle him. A personal interview is also practical from a sales standpoint, as anything which will bring customers into your store should be encouraged to the greatest possible extent.

Bad Accounts From the Start

In a surprisingly large percentage of cases, accounts that are written off eventually are bad almost from the start. Therefore, we can exercise considerably more control over bad debt losses if we concentrate on these new accounts from the day they are opened. As we are anxious to promote credit sales and to impress our new customers favourably, we must proceed with extreme caution in trying to control our new accounts. So that special attention may be given to new accounts, they should be placed in a separate ledger, if possible. If the accounting facilities at your disposal permit, it is desirable to allocate a different ledger each month to new accounts. This ledger should be given special attention for three months, during which any really bad accounts can be detected and brought under control before they skyrocket to a figure out of all proportion to the customer's ability to pay.

All such accounts should be weeded out during this three-month period and the ledger can then be handled in the usual routine way.

It becomes necessary sometimes to stop purchases on a particular account. While government wartime credit restrictions were in effect, this was performed automatically as soon as the account became past due. However, as these restrictions have been lifted recently, the credit executive is called upon to make his own decisions again, instead of acting as a rubber stamp, as was often the case.

When should a charge account be stopped? That is a question which is difficult to answer in a general way. Every account must be considered on its own merits and reviewed thoroughly before a decision is reached. There are some accounts which may be three, four, or even five months overdue which we would not think of stopping, because our credit investigation has revealed that the customer is thoroughly reliable and our own records bear this out, even though the account has sometimes become several months past due.

On the other hand, there are the accounts which should be stopped as soon as they are overdue or when they reach a figure which will obviously be practically impossible for that particular customer to pay. The chief factors to be considered in making a decision are the information given on the original application, the information obtained from the Credit Bureau when the account was opened, the customer's paying record, the age of the account, and the type of merchandise bought.

You can stop an account by letter, telephone or personal interview. The latter method is by far the best, if it can be arranged, as it often reveals additional information which may change your decision. A telephone call is the next choice, for it may produce the same result. If a letter is necessary, it should be very carefully worded, as we must not forget that the good will of the customer is of the utmost importance.

It is desirable, if time permits, to prepare an overdue report each month. Thus, the Collection Manager knows which accounts require particular attention. However, when one is dealing with a large volume of accounts, considerable time is required to prepare an overdue report and possibly a quarterly or half-yearly report would meet your requirements.

To obtain a true picture, your overdue balance should be classified in different categories from one month to over six months overdue. Each total will represent the balance still outstanding on purchases in a particular month. The ratio of your total outstanding to your net sales for the respective month will give you the percentage of overdues for that month.

We now have a picture of the current situation, but to gauge our collection effort properly, we must compare this report with the report for the corresponding period of previous years. This will indicate whether our overdues for any particular month are abnormally high and require special attention. This percentage of the total overdues compared with the previous years' percentages will give you the complete overdue picture.

To provide for write-offs, a certain percentage of each month's sales is set aside in a reserve fund, based on past performance, prevailing conditions, and total of present doubtful accounts. At the year's ending, the uncollectible accounts are written off, being charged to the reserve and credited to accounts receivable. A list showing the accounts written off as of a certain date together with the reasons will provide a satisfactory bad-debt report to be compared with the records of previous years. When convenient, it might also be advisable to indicate the occupation of the debtor so that any occupation which appears frequently in the bad-debt report may be passed on to the Credit Department for its guidance in opening new accounts.

Effective Collection Methods

It may be of interest to consider a few unusual methods or tactics which have been found effective on different occasions. We had an account which had reached a balance entirely out of proportion to the customer's ability to pay, comprising a large number of small items, chiefly consumable and all purchased by the wife without the husband's knowledge. The husband could not be contacted at his place of business and we were unable to get in touch with him at home. We sent him a wire, timed to arrive when he was home and his wife was out. It read, "Urgent you contact me at once." He received this, came in to see me and was greatly upset to learn that his wife had run up such a large bill. I managed to obtain an arrangement which is still being carried out with reasonable regularity. Incidentally, had this been placed in a special ledger as a new account, it would not have been overlooked and would have been stopped at a much earlier date while the balance was commensurate with the customer's weekly income.

Another idea which sometimes works is to bluff the debtor into thinking you are going to sue. This can be worked best if he happens to telephone your office. I usually ask him to hold the line and, placing the transmitter not too far away, I call to my secretary and ask her if she has sent Mr. Jones's account to the solicitors. I always manage to retrieve it just as it is going to the mail box and the person holding the line hears the entire proceedings. It may not fool them all but it does work quite frequently.

Then there is the practice of deliberately quoting the balance owing at a higher figure than it really is. This frequently gets a reply from customers who have ignored all previous letters.

A Collection Manager should be a good listener for he hears the gruesome details of many varied situations. He must often listen to the sordid details of domestic estrangements, desertions, and hard-luck stories. He must have keen judgment, to be able to analyse these stories and pick out the true facts. He should have an even disposition and be sympathetic. He should be courteous at all times, even when dealing with the most delinquent of debtors, as it is human nature to respond to kindness rather than a threatening attitude.

The faculty of remembering names and circumstances is also of untold value. If you can call a customer by his name and recall his story, you are at a distinct advantage. *If this is impossible, we should try to let him think we remember all about him, and hastily obtain his records so that we can cover up any mistakes we might make.* ★★★

LOCAL ASSOCIATION Activities

District Eight at San Antonio

At a recent meeting of District Eight, held in San Antonio, Tex., the following officers were elected to serve for the ensuing year: President, Fred R. Medlen, Lichtenstein's, Corpus Christi, Tex.; First Vice-President, Edward Schreiber, Schreiber-Miller Furniture Co., Galveston, Tex.; Second Vice-President, Douglas Woodruff, The White House, El Paso, Tex.; Secretary-Treasurer, J. E. R. Chilton, Jr., Merchants Retail Credit Association, Dallas, Tex.; and Assistant Secretary, Chellie Sue Bragg, Merchants Retail Credit Association, Dallas, Tex. Directors elected were: R. M. Green, First National Bank, Amarillo, Tex.; Aaron Littmann, Gem Jewelry Co., Beaumont, Tex.; George Asbeck, Brooks-Asbeck Co., Houston, Tex.; R. E. Witten, W. E. Dean Co., San Antonio, Tex.; C. Hal Jones, Jas. K. Wilson's, Dallas, Tex.; J. N. Casparis, Austin National Bank, Austin, Tex.; W. T. Fain, Hemphill-Wells, Lubbock, Tex.; Nelson Bean, Ellison's Furniture Co., Fort Worth, Tex.; and Morris S. King, Haltom's Jewelers, Fort Worth, Tex.

District Nine at Albuquerque

The following officers and directors were elected to serve from April, 1947, to April, 1948, at a recent meeting of District Nine held in Albuquerque, N. M.: President, Chris Jensen, The Crews Beggs Dry Goods Co., Pueblo, Colo.; Vice-President, Roscoe Grover, First National Bank, Salt Lake City, Utah; Secretary-Treasurer, Joseph R. Lorett, Colorado National Bank, Denver, Colo. Directors: Harold M. Symons, Harold M. Symons Auto Co., Cheyenne, Wyo.; Claud Surrage, Sterling Furniture Co., Ogden, Utah; Robert S. Bowland, Allen W. Kinkel Co., Albuquerque, N. M.; Raymond S. Stein, City Utilities, Colorado Springs, Colo.; Eldon Taylor, Glen Bros. Music Co., Salt Lake City, Utah; S. C. Patterson, Neusteter's, Denver, Colo.; and Chas. H. Kemper, Joe Heaston Companies, Albuquerque, N. M. National Director, Leroy Rosvall, The May Co., Denver, Colo., and Alternate National Director, Wendell Romney, ZCMI, Salt Lake City, Utah.

Rome, Georgia

The Credit Managers' Association of Rome has been organized at Rome, Ga., with the following officers: President, C. R. Conner, manager of the Motor Contract; Vice-President, H. E. Crowe, credit manager, Rhodes-Perdue Collins Furniture; Secretary, Annie Laura McLaughlin, credit manager, Fahy Store; and Treasurer, R. C. Gilmer, assistant cashier, National City Bank. Directors are: J. R. Jervis, O'Neill Mfg. Co.; B. R. Dillard, Jr., Georgia Power Co.; Mrs. Clara Farmer, Schwartz Dept. Store; Howard J. Pearson, Sterchi Bros. Furniture; W. H. Tarelton, Morgan-Byars Firestone Stores; and C. A. Chaffin, manager, Credit Bureau of Rome.

New York, New York

At a recent meeting of the Associated Retail Credit Men of New York, the following officers and directors were elected: President, John M. Hilgert, Lord & Taylor; Vice-President, Rudolph M. Severa, R. H. Macy & Co.; Treasurer, Arthur J. Kramer, Borden's Farm Products; and Secretary, Arthur B. Buckeridge, Credit Bureau of Greater New York. Directors: Albert S. Kleckner, Namm's; Harry C. Squires, Bloomingdale's; Philip Gleason, Abercrombie & Fitch; L. C. Bunnell, Peck & Peck; George Miller, Arnold Constable & Co.; George Neff, Saks Fifth Avenue; Joseph P. Searing, James McCreery & Co.; Harry Nicholas, Weber & Heilbroner; Walter E. Baab, Stern Brothers; Fred W. Dornhoefer, Franklin Simon & Co.; Howard B. Jackson, Industrial Bank of Commerce; and James M. Malloy, Abraham & Straus, Inc.

Denver, Colorado

The Retail Credit Men's Association of Denver celebrated its 47th annual meeting on May 6. The following officers have been elected to serve for this year: President, Earl C. Bartow, Neusteter's; First Vice-President, Ray Trythall, Hallack & Howard Lumber Co.; Second Vice-President, Dr. Mallory Catlett, D.D.S.; Treasurer, Joseph Lorett, Colorado National Bank; and Secretary-Manager, Charles M. Reed, The Retail Credit Men's Association. Directors are: Andrew Dyatt, Title Guaranty Co.; George Spillane, Beatrice Foods Co.; and Leroy Rosvall, The May Co.

Omaha, Nebraska

At the annual election of the Associated Retail Credit Granters of Omaha, Nebr., the following officers and directors were elected: President, Alden C. Thornton, Socony-Vacuum Oil Co.; Vice-President, Dean Ashby, J. L. Brandeis & Sons; Second Vice-President, Kate Bristow, Berg Clothing Co.; Secretary, Allen T. Hupp, Associated Retailers; and Assistant Secretary and Treasurer, Earl Higgins, Associated Retail Credit Bureau. Directors: Arthur Ahlstrand, Omaha Public Power District; Julia Croft, T. L. Combs & Son; Rella Heflin, Kindy Optical Co.; Harold Meier, United Financial Service; Gladys O'Donnell, Herzberg's; Harry Pearce, Metropolitan Utilities; Harry Rogers, U. S. National Bank; and L. D. Wilson, Kinsey Distilling Sales.

Savannah, Georgia

At a recent election, the following officers were elected for the ensuing year: President, E. J. Best, Daniel Hogan Company; Vice-President, J. D. Risher, C & S National Bank; Secretary, M. B. Weldon, Merchants Credit Association; and Treasurer, C. B. Gnann, Morris Levy's.

In The NEWS

INSTALMENT ACCOUNTS outstanding at both furniture and jewelry stores showed a moderate increase in May, while those at household appliance stores remained at the level of the preceding month. Amounts outstanding at the end of May, at jewelry and household appliance stores, were more than four-fifths larger than a year earlier. Furniture store accounts receivable were up 31 per cent over a year ago. Collection ratios on instalment accounts at furniture and jewelry stores rose in May to 25 per cent and 26 per cent, respectively. Collections during the month at household appliance stores were 42 per cent of instalment accounts outstanding on May 1, one point less than in April.

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THE AMERICAN PEOPLE spent almost 4 billion dollars for medical services in 1940, according to a Twentieth Century Fund survey.

★ ★ ★

ABOUT 10 BILLION dollars has been added to the book value of business inventories since the middle of 1946, the Commerce Department reports. The increase is attributed to higher costs as well as greater quantity of stocks.

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CANADA AND ENGLAND are the United States' best customers. Together, they take a third of all our export shipments.

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CONSUMER CREDIT in the United States, including charge accounts, is now over the 10 billion dollar peak.

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CONSUMER INSTALMENT loans held by leading types of lending institutions rose 65 million dollars during May, reaching an estimated 2,265 millions by the end of the month. This level represents a 55 per cent increase over the amount outstanding a year ago. The volume of loans made during May exceeded by one million dollars the April volume and was 35 per cent above the amount extended in May, 1946.

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THE CLOSED SHOP is prohibited now by laws on the books of 13 states. These states are Arizona, Iowa, South Dakota, Nebraska, Arkansas, Florida, Texas, North Carolina, Tennessee, North Dakota, New Mexico, Georgia and Virginia.

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CONSUMERS WERE SPENDING over 60 per cent more on spectator sports by 1941 than in 1929.

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A FULL-VISION plastic top for convertible cars, formed in one piece of ¼-inch plexiglas and supplied in clear or transparent tints of red, blue or green, is produced by a Detroit concern.

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WITH LESS THAN one-sixteenth of the world's land area and population, the United States now has about one-third of the 800,000-odd miles of railroad track.

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VACUUM CLEANERS will sell at the rate of more than 4 million this year, according to a prediction of the president of the Hoover Company. 1946 sales for the industry were 2¼ million, while 1,670,000 were sold in 1941.

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VIGOROUS PROMOTION of its "Certified Washable" seal is under way by the American Institute of Laundering. The seal, the Institute states, is awarded only to merchandise which has passed rigid standards of launderability.

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ONLY ONCE since the Civil War have wholesale commodity prices reached their present range—in 1920. However, money in circulation now is three times prewar. Wages for skilled and common labor (which are reflected in commodity prices) have doubled. Thus, our new "normal" price level is 40 to 50 per cent above prewar.

JOINT CANADA-UNITED STATES defense action has been urged by the Canada-United States Committee of the Canadian Chamber of Commerce and the United States Chamber of Commerce. The committee recommends that the two chambers give combined attention to industrial mobilization of the two countries on a joint basis for defense.

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UNDER-SECRETARY OF COMMERCE William C. Foster told a gathering of small businessmen recently that what small business needed more than anything else was "better management." He said, "I believe that more failures are caused by basic lack of skill in running a business than any other single cause. The small businessman must know something about buying, selling, production, display, bookkeeping, cost accounting, advertising and many other things."

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A LUMINAIRE CONDITIONER, a combination fluorescent lighting fixture and air conditioning unit, has been developed. It has a height of 69 inches and a base and top diameter of 23 inches. The conditioner uses Freon refrigerant; cools up to 450 square feet of floor area regardless of ceiling height, and removes moisture from the air at the rate of 5 gallons every 24 hours, at 90 degrees.

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THE SALES TAX was in use in only two states in 1929. At the end of 1936, it was in use in 22 states and two large cities. Over three-fifths of the individual states impose taxes on the incomes of individuals.

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EAGLES ARE HUNTED now by plane. A Texan last year shot down 867 golden eagles from his airplane, and more than 1,000 in 1945.

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CALIFORNIA LED other states in the number of cars on the road during 1946. It had 2,442,459 cars registered. New York was second with 1,982,620 registered, followed by Ohio with 1,640,142; Pennsylvania, 1,615,566; Illinois, 1,461,201, and Michigan, 1,302,488.

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INSTALMENT ACCOUNTS outstanding at department stores showed a small increase during May, although some decline is customary. Collections on instalment accounts were up slightly from the preceding month, and the ratio of collections to instalment accounts outstanding on May 1 was 29 per cent, the same as in April. The average collection period for instalment accounts outstanding in May continued to be about six months. Charge accounts receivable, which usually show little change in May, increased slightly, and at the end of the month were 30 per cent above the year-ago level. Collections on charge accounts were 6 per cent higher than in April, resulting in a collection ratio of 56 per cent as compared with 54 per cent for the preceding month. The average repayment period for charge accounts outstanding in May was 54 days as compared with 48 days a year earlier. Both cash and charge-account sales increased 5 per cent in May, while instalment sales were reduced slightly.

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RETAIL FURNITURE sales showed about the customary seasonal increase in May, reflecting gains in both cash and credit sales. Cash sales were one-tenth less than the year-ago volume, while instalment and charge-account sales were around one-fourth larger than a year earlier. Inventories declined 3 per cent, but continued well above those held by retailers last year. At the end of the month they amounted to nearly four months' supply at the current rate of sale, as compared with about three months' supply a year ago. Instalment accounts receivable were up slightly from the end of April, and were 32 per cent larger than on the corresponding date last year. Increased collections on instalment accounts resulted in a collection ratio of 25 per cent, two points higher than in April. At the current rate of repayment, instalment accounts would be outstanding, on the average, about seven months.

A MESSAGE
FROM THE PRESIDENT

IT IS WITH a deep sense of obligation and responsibility that I accept the Presidency of the National Retail Credit Association for the coming year. The obligation is to the officers, the members, and also to those who, in the years that are gone, have labored and sacrificed for this Association. The feeling of responsibility would be overwhelming if I did not know the many loyal members who love this Association and yield no whit to anyone in loyalty and readiness to serve. Together we can face the future with confidence assured of service, growing in richness and worth.

This next year will be a critical one in the history of retail credit. The buying public is definitely swinging to a greater use of credit. Retailers are expecting credit executives to harness and control this huge reservoir of buying power and convert it to profitable sales. The calamity howlers would have us in the throes of a depression, but we must not be swayed by the pessimists; instead, we should look to the future with confidence and optimism. The tremendous backlog of demand for consumer heavy goods, as well as better quality of all merchandise, coupled with new production and America's ingenuity to produce—and the availability of the purchasing power of credit—is encouraging. The outlook is bright and should be optimistic.

The big question is, *"Are we prepared to take care of the increased demand for consumer credit efficiently?"* We must get our house in order and be ready to render a real credit service to the consumer public and the retailers of this country.

The training of credit personnel has been neglected. A "must" this year is a more intelligent, aggressive training program with a new and greater emphasis on friendly service and better customer relations.

An unprecedented opportunity is offered to contribute to the building of sales and good will. *We must meet the challenge.* We have the tools, the skill, and unlimited potentialities to prove to management that an aggressive merchandising of credit is an integral part of store promotion. To fail to seize this opportunity will be a great mistake. Our eagerness for new business should not influence us beyond the point of safety, but we should follow a sound and proven credit policy in our sales promotion.

We must recognize that we have a definite responsibility to the buying public and to our firms. We should be remiss in our duty if we failed to advise and educate the credit buyer in the proper use of credit. In the light of changing conditions, we must draw upon our experience and intelligently guide our customers in the right direction and not permit the abuse of credit privileges.

We can all profit by supporting and cooperating with the credit bureaus. This coming year will prove that it is wise to invest in credit reports.

The changes that are taking place in the retail credit field demand that we be wide awake and prepared to keep pace with changing conditions. We should be receptive to new ideas and try to effect economies in our operations, striving at all times to improve our services to the buying public.

The officers, the board of directors and your National Office solicit your support and cooperation. May we join forces for the good of the National Retail Credit Association and for the further advancement of the credit profession.

In grateful thanks for the confidence you have placed in me, *I dedicate myself to this great undertaking and greet you as comrades.*

Hugh L. Reagan

Hugh L. Reagan

THE EMBLEM OF SOUND CREDIT